



AFRICAN DEVELOPMENT BANK GROUP

# African Fixed Income and Derivatives Guidebook



MAY 2010

# **African Fixed Income and Derivatives Guidebook**

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## ► List of Abbreviations

ADB	Asian Development Bank	CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
ADF	African Development Fund	CFA	Franc de la Communauté Financière de l'Afrique
AfDB	African Development Bank	CIC	Central Bank Igarah Certificate
AGOA	African Growth and Opportunity Act	CIMA	Conférence Internationale des Marches d'Assurance
ALBI	All Bond Index	CIPRES	Conférence Interafricaine de la Prevoyance Sociale
AOA	Angola Kwanza	CMA	Common Monetary Area
APSB	Association Professionnelle des Sociétés de Bourses	CMC	Council of Money and Credit
ATS	Automatic Trading System	CIMA	Conférence Internationale des Marches d'Assurance
Avg	Average	CNAS	Caisse Nationale d'Assurance Sociale
BAI	British American Insurance	CNR	Caisse Nationale des Retraites
BCC	Banque Centrale du Congo	COBAC	Commission Bancaire de l'Afrique Centrale
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest	COMESA	Common Market of Eastern and Southern Africa
BCM	Banque Centrale de Madagascar	COSOB	Commission d'Organisation et de Surveillance des Opérations de Bourse
BCV	Banco de Cabo Verde	COSUMAF	Commission de Surveillance du Marché Financier de l'Afrique Centrale
BDM	Banco de Mozambique	CP	Commercial Paper
BEAC	Banque des États de l'Afrique Centrale	CPI	Consumer Price Index
BESA	Bond Exchange of South Africa	CREPMF	Conseil Régional de l'Épargne Publique et des Marchés Financiers
BIF	Burundi Franc	CSD	Central Securities Depository
bn	Billion	CSE	Casablanca Stock Exchange
BNA	Banco Nacional de Angola	CVE	Cape Verde Escudo
BoA	Bank of Algeria	DAA	Deposit Auction Arrangement
BOAD	Banque Ouest Africaine de Développement	DAP	Delivery Against Payment
BoB	Bank of Botswana	DC/BR	Dépositaire Central/Banque de Règlement
BoBC	Bank of Botswana Certificate	DFI	Development Finance Institution
BOG	Bank of Ghana	DJF	Djibouti Franc
BOS	Bank of Sudan	DOT	Algerian Direction of Trade
BOT	Bank of Tanzania	DPCF	Debt Participation Capital Fund
BOU	Bank of Uganda	DRC	Democratic Republic of Congo
BOZ	Bank of Zambia	DSE	Dar es Salaam Stock Exchange
BPS	Basis Points	DVP	Delivery Versus Payment
BRB	Banque de la République du Burundi	DZD	Algerian Dinar
BRVM	Bourse Régionale des Valeurs Mobilières	EASRA	East African Securities Regulatory Authorities
BSE	Botswana Stock Exchange	EGP	Egyptian Pound
BTA	Bons du Trésor Assimilables	EIB	European Investment Bank
BTC	Bons du Trésor Cessibles	EPZ	Export Processing Zone
BVM	Bolsa de Valores de Mozambique	ERN	Eritrean Nakfa
BVMAC	Bourse des Valeurs Mobilières d'Afrique Centrale	ESAF	Enhanced Structural Adjustment Facility
BWP	Botswana Pula	ETB	Ethiopian Birr
CAD	Cash Against Delivery	EUR	Euro
CAR	Central African Republic	EURIBOR	Euro Interbank Offered Rate
CASE	Cairo and Alexandria Stock Exchange	FDI	Foreign Direct Investment
CBB	Central Bank Bills	FGN	Federal Government of Nigeria
CBG	Central Bank of Gambia		
CBN	Central Bank of Nigeria		
CBK	Central Bank of Kenya		
CD	Certificate of Deposit		
CDF	Congolese Franc		



FI	Financial Institution	NAICOM	National Insurance Commission
FMC	Financial Markets Commission	NBE	National Bank of Ethiopia
FMO	The Netherlands Development Finance Company	NBFIRA	Non-Bank Financial Institutions Authority
FRA	Forward Rate Agreement	NCDS	Negotiable Certificate of deposit
FSC	Financial Services Commission	NDF	Non-Deliverable Forward
FSRCC	Financial Services Regulation Coordination Committee	NGN	Nigerian Naira
FTA	Free Trade Agreement	NGO	Non-Governmental Organization
FX	Foreign Exchange	NIBOR	Nigerian Interbank Offered Rate
GBOT	Global Board of Trade Ltd	NSE	Nairobi Stock Exchange
GDP	Gross Domestic Product	NSX	Namibian Stock Exchange
GHS	Ghanaian Cedi	NT	National Treasury
GNF	Guinean Franc	OHADA	L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires
GoK	Government of Kenya	OMO	Open Market Operations
GOVI	Government Bond Index	OTC	Over-The-Counter
HDI	Human Development Index	OTS	Off-shore Trade Settlement
HIPC	Heavily Indebted Poor Country	OTHI	Other Bond Index
IDA	International Development Association	PIBO	Public Infrastructure Bond Offer
IDB	Inter-Dealer Broker	PRGF	Poverty Reduction and Growth Facility
IFC	International Finance Corporation	RAP	Receipt Against Payment
IMF	International Monetary Fund	RBZ	Reserve Bank of Zimbabwe
IPO	Initial Public Offering	RMC	Regional Member Country
IRS	Internally Registered Stock	RTGS	Real Time Gross Settlement
ISIN	International Securities Identification Number	RWF	Rwandan Franc
JIBAR	Johannesburg Interbank Agreed Rate	SAFEX	South African Futures Exchange
JPY	Japanese Yen	SARB	South African Reserve Bank
JSE	Johannesburg Stock Exchange	SCR	Seychelles Rupee
KES	Kenyan Shilling	SDD	Sudanese Dinar
KfW	Kreditanstalt für Wiederaufbau	SDR	Special Drawing Right
KIBOR	Kampala Interbank Offered Rate	SGI	Sociétés de Gestion et d'Intermédiation
LIBOR	London Interbank Offered Rate	SGVB	Société de Gestion de la Bourse des Valeurs
LLDC	Landlocked Developing Country	SIBA	Seychelles International Business Authority
LRD	Liberian Dollar	SICIL	Sistema Integrado de Compensacao Interbancaria e de Liquidacao
LSL	Lesotho Loti	SICOM	State Insurance Company of Mauritius
LuSE	Lusaka Stock Exchange	SIDS	Small Island Developing State
LYD	Libyan Dinar	SIV	Structured Investment Vehicle
MACSS	Mauritius Automated Clearing and Settlement System	SLL	Sierra Leonean Leone
MAD	Moroccan Dirham	SME	Small and Medium Enterprises
MAIBOR	Maputo Interbank Offered Rate	SOS	Somali Shilling
MDB	Multilateral Development Bank	SRO	Self-Regulatory Organization
MDRI	Multilateral Debt Relief Initiative	SSX	Swaziland Stock Exchange
MGA	Malagasy Ariary	STD	Sao Tome e Principe Dobra
MMIS	Money Market Internet System	STRIPS	Separate Trading of Registered Interest and Principal of Securities
mn	Millions	SVT	Spécialistes en Valeur de Trésor
MPC	Monetary Policy Committee	SZL	Swaziland Lilangeni
MRO	Mauritanian Ouguiya	T-bill	Treasury Bill
MUR	Mauritian Rupee	TBC	Titulos do Banco Central
MWK	Malawi Kwacha	TCMF	Titulos Consolidados de Mobilização Financeira
MZM	Mozambique Metical		

TND	Tunisian Dinar
TZS	Tanzanian Shilling
UEMOA	Union Économique et Monétaire Ouest Africaine
UGX	Uganda Shilling
UN	United Nations
USD	United States Dollar
USE	Uganda Stock Exchange
WAEMU	West African Economic and Monetary Union
WAIR	Weighted Average Interbank Rate
WAMU	West African Monetary Union
WATBR	Weighted Average Treasury Bills Rate
XAF	CFA Franc (Central African Region)
XOF	CFA Franc (West African Region)
ZIPSS	Zambian Inter-bank Payment and Settlement System
ZMK	Zambian Kwacha
ZWD	Zimbabwe Dollar

## ► Foreword

It gives us great pleasure to present the second edition of the African Fixed Income and Derivatives Guidebook, one of several initiatives undertaken by the African Development Bank to disseminate information on developments in African financial markets.

Three years after the first edition and in the aftermath of the worst global economic and financial crisis in decades, we are pleased to report on the status of the African debt capital markets.

We believe this publication captures the features of the debt money and capital markets that are of most interest to investors, issuers, policy makers, other capital market participants, academics and researchers. It surveys the development of existing infrastructure in fixed income, foreign exchange and derivatives markets, where applicable. It also provides key information on market participation of domestic and international players and an overview of the current tax policy relating to fixed income instruments.

There are a number of positive observations that this edition brings to light as compared to the first edition published in May 2007. Treasury yield curves have been extended from bills into medium and long-term bonds, issuance sizes have increased, investments have been made in settlement and clearing infrastructure and Delivery Versus Payment has been achieved in many markets. The investor base has increased in diversity from dominance of the banking sector to non-bank investors, liquidity in the secondary market for government securities has continued to improve, and regulations remain largely supportive of the participation of foreign investors in local markets.

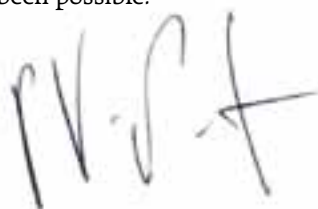
We are confident that the domestic money and capital markets will play a greater role in the mobilization of resources and financing of infrastructure and other socially desirable projects in Africa. Indeed, pre-crisis levels of GDP growth made it imperative that domestic financial markets become the source of preferred financing for long-term projects. The corporate issuance category of the primary market has perhaps the biggest potential for growth in the coming years. Commercial paper and corporate bond issues continue to grow, thereby increasing asset diversity and market depth. These have been well supported by improved liquidity in the government securities markets as pricing benchmarks. Innovative transactions such as infrastructure bonds and issues by public-private-partnerships entities have been useful in financing infrastructure projects.

Several markets reported a rise in yields and depreciation of local currencies during the peak of the global financial crisis as investors reduced their exposure to Africa. A recent gradual return to the African markets has been reported. This further demonstrates that African markets have developed and continue to promote an environment conducive to foreign investor participation. These flows will complement the domestic savings required to deliver the necessary capital to finance Africa's huge funding requirements.

The information provided in this guidebook is compiled by the African Development Bank in collaboration with several organizations including Central Banks, Ministries of Finance, Stock Exchanges, and financial institutions active on the continent without which contribution this publication would not have been possible.



**Thierry de Longuemar**  
Vice President, Finance



**Pierre Van Peteghem**  
Group Treasurer

## ► Overview

This guidebook is intended to provide a first window into each African fixed income market and covers the cornerstones that are often analyzed by investors, policy makers, academics and researchers. This publication reviews all the 53 African markets with the West Africa Economic and Monetary Union (WAEMU) and the Central Africa Economic and Monetary Community (CEMAC) regions each represented as single markets.

For each market, we discuss the pillars that support the development of deep and vibrant debt capital markets. These include: the monetary policy framework and efficiency of the money market, a sustainable Government debt issuance and management program, a variety of market intermediaries, a broad spectrum of investor classes, as well as market infrastructure that includes prudent regulation and efficient clearing and settlement systems.

### **Monetary Policy and Money Market**

Fixed income markets traditionally get their roots from the monetary policy framework and the money market. The overriding distinction of fixed income assets is their fixed return to investment for specified interest periods. As a consequence, investors in these assets look at, amongst others, the monetary policy framework in order to take a view on the required nominal return since the real value of return is very dependent on the rate of inflation in the currency of denomination. To the extent that inflation is a monetary phenomenon, the monetary policy framework will be critical to the real return of a fixed income asset.

The money market provides the basis for maturity transformation that facilitates investment in long-term assets by enabling investors in long-term securities to cover short-term liquidity needs. The African markets with the most liquid interbank and money markets in general have more investors funding trading portfolios through the Repo markets. This greatly enhances the efficiency of the long-term securities pricing and trading.

### **Government securities and Non-Government securities**

A fixed income asset is an investment that regularly generates a fixed amount of interest for a specific period of time. These assets take various forms and include bills, bonds, certificates of deposit, preferred stock, and debentures. The issuance of fixed income securities is often dominated by the Government starting off with short-term discount Treasury bills that are later rolled into longer-term coupon bearing Treasury bonds as the market becomes more comfortable with holding and pricing longer-term securities. Corporate issuers begin to benchmark their paper on government securities. These initial instruments are usually plain vanilla bills and bonds that gradually become more sophisticated from bullet maturities to straight line, step-up and step-down amortization structures, inflation linked securities whose principal values change with an inflation tracking index, and other more sophisticated instruments that include derivatives like money market and bond futures and options on futures. The development of interest rate and cross currency derivatives underpins the provision of hedging tools to market participants. The diversity of instruments is important for investors to select securities that precisely fit their asset requirements while giving access to issuers the structures that best suit their funding requirements.

### **Intermediaries**

The majority of fixed income markets typically start with issuances of Government securities directly sold to all investors, institutional and retail, that tend to buy and hold until maturity. In a bid to improve liquidity, Primary Dealers are appointed as a select group of authorized institutions with direct access to the primary market for Government securities. The Primary Dealers may place bids on behalf of investors in the primary market and provide liquidity in the secondary market. Our observation is that requirements from these dealers vary greatly from market to market. Algeria, Ghana, Nigeria, South Africa, Tanzania and Tunisia are a few of the countries with Primary Dealer systems. Other markets opted to improve liquidity by listing Government securities on the Stock Exchange. This introduced the broker community as intermediaries into bond trading in addition to their regular stock trading. Kenya and Zambia markets require trades to be executed through the Stock Exchange.

A continuum of models falls in-between the two extremes ranging from Over-the-Counter (OTC) systems where dealers call each other and transact directly without involvement of brokers and the alternative end where all trades are executed by brokers on a Stock Exchange. In markets where traders have had the option to trade OTC or on-exchange they have generally favored the OTC market.

As depth in the market continues to grow and transaction sizes get bigger, the need for anonymity increases and so does the need for brokers with the balance sheet to take positions. Some markets have licensed inter-dealer brokers that arrange larger transactions between dealers. Discount houses that buy securities from willing sellers for their own account have also developed in a few markets to benefit from any market inefficiencies. Pre-trade and post-trade price transparency in bond markets has tended to lag that of equity markets. Nevertheless investors can find indicative prices to transact at or mark-to-market their portfolios from Stock Exchanges and Central Bank websites. Initially, Government securities yield curves have been based on primary market prices. Many markets are gradually moving to secondary market pricing as liquidity improves and benchmarks develop.

Many markets opened by issuing securities at the short end to finance Government expenditure and/or as monetary policy instruments. The captive and perhaps most relevant investor base was the commercial banking sector with over 80% holdings of outstanding Government issues. Developments in the non-bank financial sectors, pension sector, foreign investor appetite, and collective investment schemes as well as increased issuance of longer-term securities have broadened the diversity in holdings for all securities. Currently, the more liquid markets in Africa have lower commercial bank holding of their outstanding securities than do the less liquid markets. The diversity of the investor base is critical in ensuring liquidity in times when one category of investors is exiting or entering the market in a short period of time.

### **Market Infrastructure**

Regulation should be cognizant of the level of development of the market. Overbearing regulation in nascent markets can stifle development while at the same time insufficient regulation can destroy it. The guidebook covers institutions that determine rules and regulations around the issuance of government and corporate securities. Equally important are the regulators that determine allowable investment limits for different asset classes. These have a strong bearing on asset allocation in the market.

The clearing and settlement systems are vital for efficient trading but can be costly especially if the transaction volumes are small. In nascent markets, script has typically been physical paper that eventually gets transformed to dematerialized electronic bookkeeping. The settlement systems also undergo transformation to electronic Real-Time Gross Settlement systems for larger size transactions. With this comes the connection of the payment system to the Central Securities Depository thereby enhancing delivery versus payment processes.

### **Policy Factors**

Tax policy is a key determinant of investment return. Income tax, withholding tax and capital gains tax may apply in some markets. Different tax rates may apply to resident and non-resident investors. Markets may also have bilateral tax treaties that would be of benefit to foreign investors. Taxes may be collected at issue, maturity or when secondary market trading occurs. These distinctions all have return implications to investors.

Foreign investors will be keen to learn how the foreign exchange rate is determined. This includes market determined rates reflecting demand and supply or other regimes with varying influence from monetary authorities. This can have implications on the need to hedge foreign exchange risks and/or determine the appropriate return to compensate for this risk. Where possible, foreign exchange market turnover is highlighted as an indication of the market depth. Information on foreign exchange controls is also provided in order to improve awareness of processes that should be considered before funds can be invested and externalized. The convertibility of the local currency is critical to externalizing investment returns and principal.

We hope that this guidebook will provide valuable insights into African debt capital markets. Additional information can be obtained from the capital markets regulators and sovereign issuers in each market, whose contact details have been included in this guidebook.

## ► Acknowledgements

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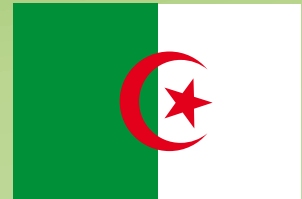
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- » African Economic Outlook, AfDB/OECD, 2009
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- » Economics Intelligence Unit (EIU)
- » Encyclopedia of the Nations (<http://www.nationsencyclopedia.com/Africa/>)
- » First Initiative (<http://www.firstinitiative.org/Projects/index.cfm>)
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- » Standard Bank of South Africa – Economics Division (<http://www.ed.standardbank.co.za/srchResearch.asp>)
- » Standard Chartered Bank – Fixed Income & Rates Strategy Focus (<http://research.standardchartered.com>)

# Country Guides



# Algeria



## 2009 at a glance

Population (mn)	34.9
Population growth (annual %)	1.7
Official language	French
Currency	Algerian Dinar (DZD)
GDP (Current US\$ bn)	133.2
GDP growth (annual %)	1.7
GDP per capita	3,815.7
External Debt (US\$ bn)	3.7
External Debt/GDP (%)	2.8
CPI	3.8
Exports of Goods and services (% of GDP)	41.9
Gross Official Reserves (in US\$ bn)	141.9
Gross Official Reserves (in months of imports)	35.7
DZD / 1 USD (Year end)	71.91

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » The Government securities yield curve longest tenor is 15 years, with nine benchmark points.
- » A growing diversified investor base with marginal presence of foreign investors.
- » Bi-monthly auction of Treasury bills and bonds.
- » Reuters codes for market data:
  - Reuters: BA/FX01

## ► Monetary Policy and Money Market

### Monetary Policy

The mission of the Central Bank of Algeria (BoA) is to create and maintain conditions that are most conducive to rapid development of the economy in the areas of money supply, credit and foreign exchange, while ensuring the stability of domestic price and external value of the currency. The Council of Money and Credit (CMC) formulates monetary policy. The BoA implements monetary policy through various instruments including credit and discount operations, minimum reserve requirements, open market operations, and standby facilities.

In December 2008, the CMC increased the minimum capital requirement of banks from DZD 2.5 billion to DZD

10 billion, and from DZD 0.5 billion to DZD 3.5 billion for non-bank financial institutions.

The CMC meets each month to review the implementation of monetary policy and releases a communiqué of its outcomes.

### Money Market

The main component of the Algerian money market is the Treasury bills market. The benchmark rates are the average interbank rate and the deposit facility interest rate.

## ► Fixed income market

### Government Securities

Domestic debt instruments mainly include Treasury bills and bonds (82% of outstanding government debt). Treasury bills, also called Bons du Trésor Cessibles (BTC), are issued with maturities ranging from 3 to 6 months. Treasury bonds are issued with maturities of 1 to 15 years. Treasury bonds with a tenor of 1 to 5 years are Bons du Trésor Assimilables (BTA), while Obligations Assimilables du Trésor (OAT) have tenors of 7 to 15 years. Other Government-issued instruments are Caisse Nationale des Retraites (CNR) bonds and Caisse Nationale d'Assurance Sociale (CNAS) bonds. Issuance of these securities, organized regularly by the Treasury, is accomplished through Dutch auctions. All Government Treasury bills and bonds are dematerialized. The day-count is 360 for Treasury bills, and 365 for bonds.

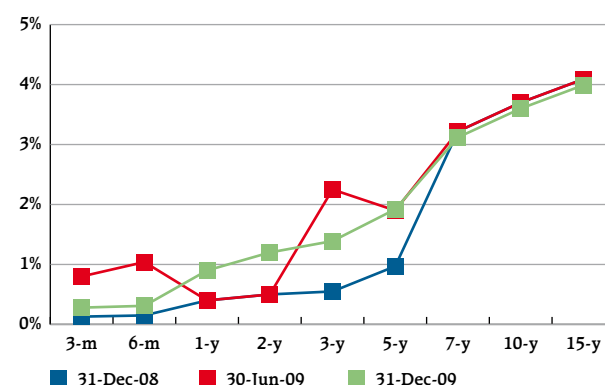
The details of Government debt issuance are summarized in the table below:

#### Auction details

	T-bills	T-bonds
Auction frequency	Twice a month	Twice a month
Auction method	Dutch	Dutch
Settlement cycle	T+2	T+2
Access	All investors (including foreign entities)	

The following graph illustrates changes in the Government yield curve from December 2008 to December 2009.

**Government securities yield curve as at 31 December 2009, 30 June 2009, and 31 December 2008**



Source: Central Bank of Algeria

### Non-Government Securities

Non-Government securities are issued occasionally, based on issuers' financing needs and market liquidity.

### Intermediaries

All investors, including foreign investors, have equal access to the primary and secondary debt market via 13 authorized primary dealers. As of December 2009, 20 banks and 5 financial institutions were active in the Algerian capital market.

## Investors

The main investors are commercial banks, mutual funds and insurance companies. Foreign investor participation is relatively low. During the first semester of 2009, the total debt issued by the Government of Algeria was DZD 74 billion, comprised of BTC (34%), BTA (37%) and OAT (29%).

## Primary Market

The National Treasury and major corporations, including financial institutions, regularly issue debt in the local

capital market to fulfil their financing needs at competitive prices.

## Secondary Market

The Algerian secondary market is relatively liquid. In 2009, the trading volume was DZD 185.3 billion, executed through 287 transactions. Investors have access to both secondary and primary markets through 13 primary dealers, that include commercial banks.

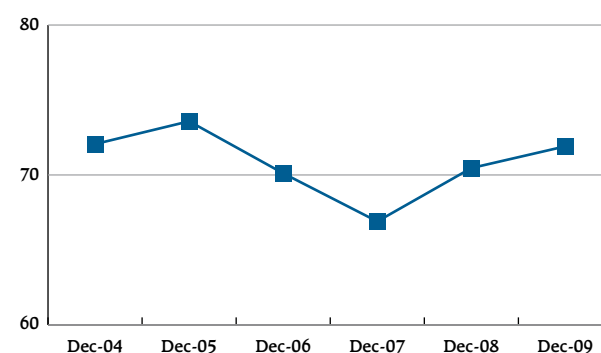
## ► Foreign Exchange Market

The Algerian Dinar (DZD) exchange rate follows a managed floating regime, based on a composite of currencies.

The interbank foreign exchange market consists of two components: the interbank foreign exchange spot market and the interbank foreign exchange forward market. The Algerian FX forward market is active up to two years. The BoA acts as counterparty for spot FX transactions. Transactions are processed by telephone, telex and other electronic systems. The BOA operates continuously and participants can conduct transactions during all working hours.

The opposite graph provides historical levels of the DZD against the USD.

DZD per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

There is no interest rate or cross currency swap market in Algeria. However, there are a few off-shore non-

deliverable forwards (NDF) transactions that have been executed.

## ► Regulation and Taxation

### Regulation

The bond market is regulated by the Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB), which also sets the operating rules of the Stock Exchange. The regulatory framework was put in place by COSOB in the early 1990s and is regularly updated. The role of COSOB is supervisory in nature; it focuses on the protection of public savings invested in securities, market surveillance, and transparency. Any entity planning to raise funds through the stock exchange needs to comply with the regulations of the Algerian "Code de Commerce".

The Banking Commission is in charge of supervising the banking sector, while the Monetary and Credit Board regulates non-bank lending institutions.

### Taxation

Income from Government securities is subject to a 10% withholding tax. For Treasury bills, the 10% flat tax is withheld at maturity date, while for coupon-paying bonds the tax is paid on the date of the coupon payment. Government securities with tenors longer than five years are exempt from tax.

## ► Clearing and Settlement

In 2004, Algérie Clearing was officially established as the central depository for all securities in Algeria. Algérie

Clearing monitors a computerized settlement and delivery system. Settlement is T+2.

## ► Regulatory Contacts

### **Banque Centrale d'Algérie**

38, Avenue Franklin Roosevelt,

Villa Jolie Algiers, Algeria

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### **Commision d'Organisation et de Surveillance des Operations de Bourse (COSOB)**

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Website: [www.cosob.com.dz](http://www.cosob.com.dz)

# Angola



## 2009 at a glance

Population (mn)	18.5
Population growth (annual %)	2.6
Official language	Portuguese
Currency	Kwanza (AOA)
GDP (Current US\$ bn)	89.5
GDP growth (annual %)	-0.04
GDP per capita (Current US\$)	4,840
Total Debt (US\$ bn)	18.6
Total Debt/GDP (%)	20.7
CPI (annual %)	14.2
Exports of Goods and services (% of GDP)	52.0
Gross Official Reserves (in US\$ bn)	14.00
Gross Official Reserves (in months of imports)	5.9
AOA / 1 USD (Year end)	89.15

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » The last decade was a period of significant progress and growth for Angola.
- » Domestic debt offering includes short-dated Treasury bills and Central Bank bills, as well as medium- to long-term Government bonds. Securities are issued in both USD and AOA.
- » Commercial banks are the only active participants in the domestic debt market.

## ► Monetary Policy and Money Market

The Central Bank, Banco Nacional de Angola (BNA), is responsible for implementing monetary policy and managing FX reserves. The significant oil export revenues have resulted in inflationary pressures that require the Central Bank to intervene frequently to maintain the monetary base at the required level.

The rediscount rate and reserve requirements are the BNA's preferred policy tools. Recently the BNA relaxed its requirements by allowing the use of Government bonds as reserves for both domestic and foreign currency deposits.

## ► Fixed Income Market

### Government Securities

The fixed income market in Angola is at an early stage of development. The Government is the sole active issuer, with a total market capitalization of Government bills and bonds of USD 6 billion, with a 50/50 split between bills and bonds.

The offering of Treasury bills includes 28-, 60-, 90 and 182 days maturities, and these instruments are issued to fund short-term liquidity requirements.

There are also longer-term instruments available: Government bonds denominated in local currency have maturities between 1 and 20 years, while foreign currency instruments extend out to 6.5 years. These instruments were initially issued to repay arrears that were due to domestic bond holders.

Auctions are conducted on a weekly basis.<sup>1</sup>

Inflation-linked instruments are in significant demand and now constitute close to 90% of the market.

The interest rate on Treasury bonds can be fixed or floating (indexed to USD LIBOR plus a fixed margin) and is

paid every six months. For Treasury bonds denominated in Kwanza (AOA), the nominal USD amount is calculated daily as per the USD/AOA exchange rate of the day.

### Intermediaries

There are no intermediaries at present. Treasury bills and bonds are issued directly by the Central Bank to commercial banks.

### Investors

The investor base is composed exclusively of commercial banks. There are currently 20 banks operating in Angola, mostly foreign-owned, and principally by South African and Portuguese Banks. The market is dominated by three large state owned/controlled players: Banco de Fomento de Angola (BFA), Banco de Poupança e Crédito (BPC) and Banco Africano de Investimentos (BAI).

### Primary Market

The issuance activity of private sector borrowers is nonexistent. It is expected that the creation of a stock exchange in Luanda will encourage companies to issue in the fixed income market.

### Secondary Market

The secondary market is very shallow. The buy-and-hold strategy adopted by most investors restricts the development of an active secondary market.

## ► Foreign Exchange Market

The Angolan Kwanza follows a managed floating currency regime, with the Central Bank targeting a strong Kwanza policy.

The BNA influences the exchange rate by selling a limited amount of dollars at a pre-determined rate. As a result,

there is a gap between the BNA's Kwanza reference rate and rates applied in the foreign exchange market. Outward movement of foreign currency is restricted.

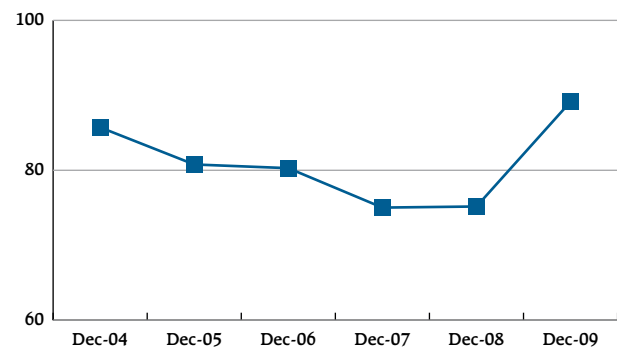
Net foreign reserves stood at USD 10 billion by the end of June 2009, a significant decrease from their peak of USD

<sup>1</sup> Relatório dos Títulos do Tesouro, 2007-2008, Ministerio das Financas de Angola

20 billion in November 2008. The decline in reserves was prompted mainly by lower oil and diamond revenues, coupled with a relatively inelastic import demand.

The opposite graph illustrates the historical levels of the AOA against the USD.

**AOA per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

There is no active derivatives market in Angola.

## ► Regulation and Taxation

### Regulation

The Central Bank has regulatory oversight of financial institutions such as banks, foreign exchange houses and other non-bank financial institutions.

### Taxation

There is a withholding tax of 10% charged on interest payments to residents and non-residents.

## ► Regulatory Contacts

### Banco Nacional de Angola

151, Av 4 de Fevereiro  
Luanda, Angola  
Tel : +244 222 399125  
Fax : + 244 – 222-390579

# Botswana



## 2009 at a glance

Population (mn)	1.9
Population growth (annual %)	1.5
Official language	English
Currency	Pula (BWP)
GDP (Current US\$ bn)	11.6
GDP growth (annual %)	-7.3
GDP per capita (Current US\$)	5,937.7
Total Debt (US\$ bn)	2.4
Total Debt/GDP (%)	21.0
CPI (annual %)	9.0
Exports of Goods and services (% of GDP)	37.2
Gross Official Reserves (in US\$ bn)	8.3
Gross Official Reserves (in months of imports)	18.4
BWP / 1 USD (Year end)	6.6622

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	Not rated	Not rated
Moody's	A2	A2
S & P	A	A-

Source: Bloomberg

## ► Summary

- » Capital markets in Botswana have grown significantly in recent years; the nominal value of bonds quoted in the Botswana Stock Exchange (BSE) has increased from BWP 4 billion in 2006 to BWP 6.06 billion in 2009.
- » Through its bond issuance program, the Government aims to develop a national yield curve and expand the range of long-term finance solutions available to local investors.
- » Commercial banks control a large share of the domestic bond market and pension funds are increasingly one of the main fixed income investors.
- » The development of an active secondary market has been hampered by the buy-and- hold approach adopted by most investors.
- » Bloomberg and Reuters codes for market data:
  - PULF, BBBONDS, STBWBONDS, FNBONDS and SCBONDS.



## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of Botswana (BoB) is responsible for implementing monetary policy. The bank's role is all-encompassing and includes the supervision of the financial system, safeguarding public confidence in the national currency, and advising the Government on economic and financial matters.

The Bank targets a low and sustainable inflation level, by using open market operations to influence interest rates and restrain excessive liquidity. In recent years, the significant growth of private pension funds has led to an increase in liquidity in the domestic market. This has required the BoB to intervene more frequently.

### Money Market

The Bank of Botswana uses 14 and 91-days certificates (BoBCs) to implement Monetary Policy operations. These instruments are highly liquid, with a total issuance of BWP 5.9 billion for the 14-day and BWP 10.6 billion for 91-day as of October 2009. This large volume of transactions is explained by the absence of alternative short-term money market instruments. At present, BoBCs are the only attractive short-term investment instruments available.

The purchase and holding of these securities is restricted to commercial banks.

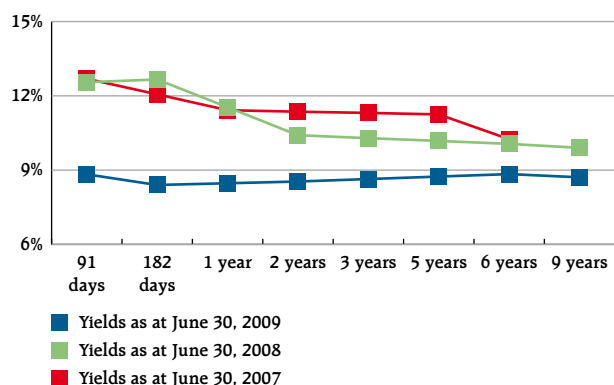
## ► Fixed Income Market

### Government Securities

The total market capitalization of Government and corporate bonds, including foreign bonds with dual listing in other exchanges, stood at BWP 317 billion in September 2009.

The Government hopes to develop the domestic capital market through the issuance of bills and bonds by increasing the number of available financial instruments and establishing a benchmark yield curve, that is shown in the graph below. All Government bonds pay a fixed rate coupon and have a bullet type repayment profile. None of the existing bonds is callable.

**Government securities yield curve as at June 30, 2007, 2008 and 2009**

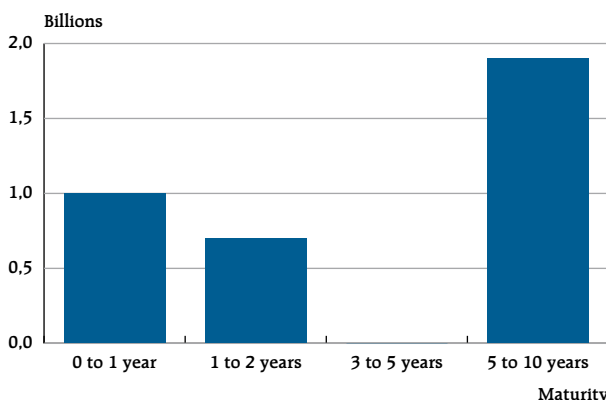


Source: Central Bank of Botswana

As of December 2009, the list of Government securities comprised a 6-month Treasury bill and of Government

bonds, namely BW004, BW005, BW006 and BW003, that mature in March 2011, September 2018, March 2012 and October 2015 respectively. The graph below illustrates the maturity profile of these securities.

**Maturity profile of Government of Botswana securities as at June 30, 2009 (in Pula)**



Source: Central Bank of Botswana

Government bonds are auctioned and traded on a yield-to-maturity basis at uniform price auctions (auctions where bids are processed at the established cut-off bid price).

### Non-Government Securities

The Government has set up a Debt Participation Capital Fund (DPCF) as a special purpose vehicle which securitizes a portfolio of Government loans to parastatals. The DPCF has issued bonds with maturities of 3-, 6-, 9-, 12-, 15-, 18 and 21-year tenors so as to provide quasi-sovereign pricing

benchmarks for corporate issues. All these instruments are listed in the Botswana Stock Exchange.

Other public sector issuers include the Botswana Telecommunications Corporation, the Botswana Development Corporation, the Water Utilities Corporation, the Botswana Vaccine Institute and the Botswana Building Society.

The issuance activity of private sector borrowers is dominated by financial institutions, mostly international institutions operating in the country. There are a few non-financial corporate issuers, such as Kgalagadi Breweries and Piermont Group Botswana.

Since 2005, supranational issuers such as the AfDB, the EIB and KfW have tapped the market for local currency denominated bonds. These issues helped to meet increasing international investor demand for debt in higher-yielding currencies.

### Intermediaries

There are 5 primary dealers for over-the-counter transactions involving Government securities, namely Barclays Bank Botswana, First National Bank Botswana, Stanbic Bank Botswana, Standard Bank Botswana and the African Banking Corporation. All commercial and merchant banks in Botswana are dealers for issues other than Government securities.

In addition, four registered brokerage companies are operating on the Botswana Stock Exchange (BSE).

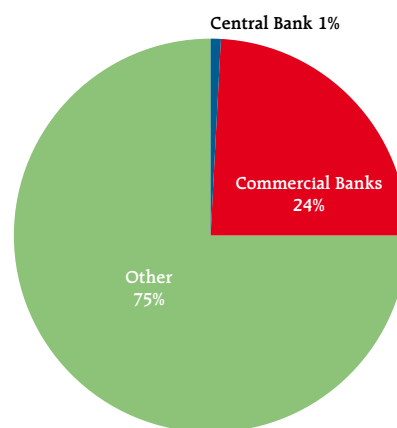
### Investors

Market participants include domestic and foreign companies, commercial banks, corporates, parastatals and institutional investors (pension funds, insurance companies and mutual funds), as illustrated in the chart opposite.

The local non-bank investor base (asset management, life and general insurance companies) is deep and diversified.

Foreign investors may participate in the local Government bond market. The 2-year BW001 issued in 2003 proved quite attractive to international investors. The steep devaluation of the Pula in 2005, which occurred shortly before the instrument's maturity, had a negative impact on foreign investors' confidence. Since then, foreign holdings of Government bonds have been negligible.

### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Central Bank of Botswana

### Secondary Market

Most investors prefer to hold securities until maturity. This buy-and-hold approach restricts the development of an active secondary market.

The Bank of Botswana keeps a small portion of these securities to use in Repo operations in the event that primary dealers have short-sold their positions in the secondary market.

## ► Foreign Exchange Market

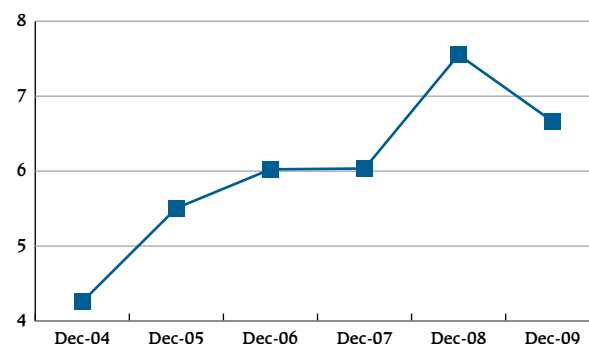
The Botswana Pula (BWP) is a fully convertible currency that operates under a crawling-band exchange rate regime composed of the IMF Special Drawings Rights (SDR) and the South African Rand.

Since March 2009, the crawling-band margins have been set at  $\pm 0.125\%$ . The spot market is liquid and the main cross is BWP/USD. However, the BWP is also quoted against GBP, EUR and ZAR.

There are no restrictions to investment repatriation and no foreign exchange controls. All the Balance of Payments accounts are liberalized.

The graph below illustrates the historical levels of the BWP against the USD.

### BWP per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

The main derivatives activity consists of over-the-counter foreign exchange forwards and hard currency swaps. Both forwards and currency swaps markets are liquid, with

tenors of up to 6 months and 3 months, respectively. Currency swaps are mostly against the USD, but can be crossed against any hard currency.

## ► Regulation and Taxation

### Regulation

Capital markets are supervised by the Botswana Stock Exchange Committee in conjunction with the Banking and Capital Markets Unit of the Ministry of Finance.

The BSE was established in 1989 and began formal operations in 1995. It is responsible for regulating and operating the equity and fixed income markets and has sole jurisdiction in approving securities for listing on the exchange.

The Bank of Botswana has a supervisory role and is authorized to enact management rules and set prudential standards for banking institutions.

The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) was established in 2008 to regulate and supervise non-bank financial Institutions.

### Taxation

Withholding tax on interest is 15% and 10% for non-residents and residents respectively. There is a 25% capital gains tax applicable to both residents and non-residents. Securities issued by domestic public companies are exempt from capital gains tax.

Botswana has double taxation treaties with France, Mauritius, Russia, South Africa, Seychelles, Sweden and the United Kingdom.

## ► Clearing and Settlement

Government bonds are cleared and settled through the Bank of Botswana. Other bonds are cleared and settled at the Stock Exchange.

In the context of its 2005 bond issue in Botswana, the AfDB worked closely with the two main international

securities clearing houses, Clearstream and Euroclear, for the Pula to obtain settlement status. The BWP is the second African currency after the South African Rand (ZAR) to achieve this status. Bonds denominated in BWP can be fully traded, settled and held, using Clearstream and Euroclear.

## ► Regulatory Contacts

### Bank of Botswana

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Khama Crescent Street  
Botswana  
Tel: + 267 360 6567  
Fax: +267 390 4325  
E-mail: Kganetsanoa@bob.bw  
Website: [www.bankofbotswana.bw](http://www.bankofbotswana.bw)

### Capital markets regulator

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Fax: + 267 310 2376  
E-mail: [werulu@nbfira.org.bw](mailto:werulu@nbfira.org.bw)

**Stock Exchange**

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Fairgrounds Plot 64511  
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Fax: +267 318 0175  
E-mail: [info@bse.co.bw](mailto:info@bse.co.bw)

**Insurance regulator**

P/Bag 00314  
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Botswana  
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Fax: + 267 310 2376  
E-mail: [werulu@nbfira.org.bw](mailto:werulu@nbfira.org.bw)

# Burundi



## 2009 at a glance

Population (million)	8.3
Population growth (annual %)	2.8
Official language	French
Currency	Burundi Franc (BIF)
GDP (Current US\$ bn)	1.2
GDP growth (annual %)	3.4
GDP per capita	151
External Debt (US\$ bn)	0.4
External Debt/GDP (%)	32.1
CPI	12.5
Exports of Goods and services (% of GDP)	6.0
Gross Official Reserves (in US\$ bn)	0.3
Gross Official Reserves (in months of imports)	6.6
BIF / 1 USD (Year end)	1,230.50

Source: AfDB, BRB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » The Government securities yield curve has longest maturity of 5 years
- » Limited investor base with marginal presence of foreign investors.
- » Weekly Auction of Treasury bills and bonds.
- » Reforms to enhance the capital market are ongoing, with a planned introduction of a Repo market in the medium term.

## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of Burundi, "Banque de la République du Burundi" (BRB), formulates and implements monetary policy. The Central Bank targets monetary aggregates to achieve the main goal of price stability. In 1988, the BRB shifted from a direct monetary policy (control of money supply and interest rates) to indirect monetary policy that uses market-based instruments to influence money supply and interest rates. These instruments include Treasury

bills, the single refinancing rate, and minimum reserve requirements for banks.

### Money Market

Burundi's money market is at an early stage of development and at present Treasury bills are the only existing instruments. In the medium term, the Central Bank hopes to create a Repo market to strengthen the interbank market and widen the range of available policy instruments.

## ► Fixed Income Market

### Government Securities

Treasury bills and bonds are issued on a weekly basis with tenors of 13, 26, and 52 weeks, while Treasury bonds are offered for maturities of 2 and 5 years.

Details on Government debt issuances are summarized in the table below.

#### Auction details

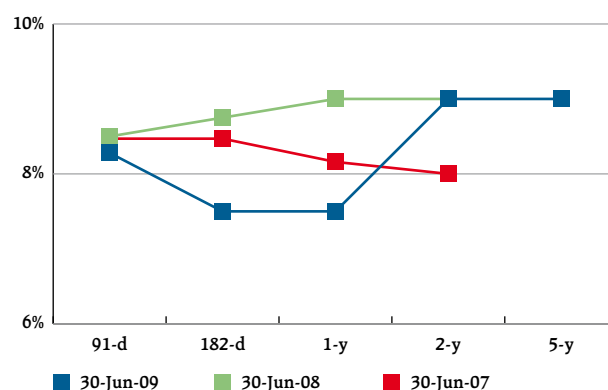
	T-bills	T-bonds
Auction frequency	Weekly	Weekly
Auction method	Multiple Rate	Multiple Rate
Settlement cycle	T+6	T+6
Access	All investors, including foreign entities and subject to foreign exchange restrictions by BRB	
Minimum bid amount	One hundred (100) million Burundi Francs	
Foreign investors	Eligible, subject to the Minimum bid amount above	

Source: Central Bank of Burundi

As of 30 June 2009, the total outstanding Government debt was Burundi Francs (BIF) 135.6 billion, with more than 64% maturing before one year and the remaining debt between 1 and 10 years. Interest on Government securities is payable annually, with bullet repayment of the principal. These features are subject to changes by the Treasury to accommodate investors' needs.

The opposite graph presents the changes in the Government yield curves over the last three years. The yield curve was extended in 2009 with the issue of a 5-year Treasury bond.

Government securities yield curve as at 30 June 2007, 2008 and 2009



Source : Banque de la République du Burundi (BRB)

### Non-Government Securities

Corporations do not issue debt in Burundi. Their financing needs are met through direct loans from commercial banks. Similarly, municipalities do not issue debt.

### Intermediaries

Capital market intermediation activity is provided by commercial banks, as there are no primary dealers. Investors' orders, including orders from foreign investors, are executed by commercial banks through their security account with the Central Bank. Due to lack of the liquidity in the secondary market, all transactions are executed in the primary market.

### Investors

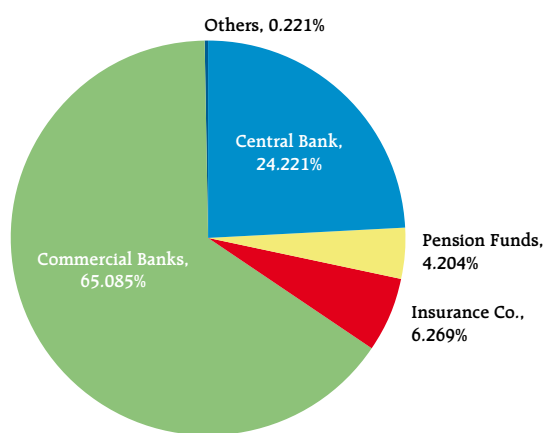
The Burundi debt market is not very active. The main investors are commercial banks, pension funds and insurance companies. Foreign investors have access to the

fixed income market, but so far, their participation has been marginal.

Commercial banks account for more than 65% of the outstanding Government debt holdings, while the Central Bank and insurance companies hold 24.22% and 6.26% of Government debt, respectively.

Details of the holdings by category of investors at the end of the second semester 2009 are provided in the following chart.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: BRB

## ► Foreign Exchange Market

The exchange rate policy has recently shifted from a managed float to a flexible, market-determined exchange rate regime. The BRB intervenes in the FX market by two-way auctioning which allows either commercial banks or BRB to sell or buy foreign currency at market determined rates.

Capital account transactions remain subject to some restrictions in terms of prior approval by BRB for outward foreign direct investment.

Interest income and capital gains by foreign investors are freely repatriated. Non-residents are allowed to hold accounts in foreign currencies or in Burundi Franc for their investments, subject to confirmation of the foreign exchange transaction with an authorized dealer.

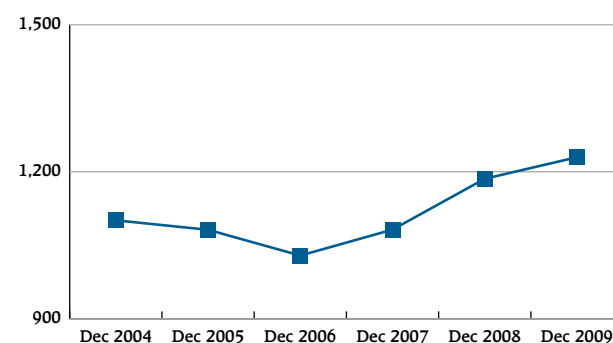
### Primary Market

As the issuer of debt for the Republic of Burundi, the Treasury issues Treasury bills and bonds to fulfil the Government's financing needs.

### Secondary Market

There is no secondary bond market in Burundi; most investments are held to maturity.

The graph below provides historical levels of the BIF against USD.



Source: BRB

## ► Derivatives Market

There is no derivatives market in Burundi.

## ► Regulation and Taxation

### Regulation

The Central Bank of Burundi oversees the banking sector while the Ministry of Finance, through the Regulation and Control Agency, supervises the insurance sector.

### Taxation

Interest income and capital gains on Treasury bills and bonds are tax exempt, for all categories of investors.

## ► Clearing and Settlement

The Central Bank of Burundi is the clearing and settlement house, as well as the central depository for securities. Not all investors hold accounts with the BRB and only commercial banks are authorized to open securities accounts with the central bank for their trading activities or for their clients.

All securities are identified with a standard code that includes the date, month and year of issue. Settlement is made on a gross basis, and delivery versus payments is not yet achieved.

## ► Regulatory Contacts

### Banque de la République du Burundi

BP 705, Bujumbura, Burundi

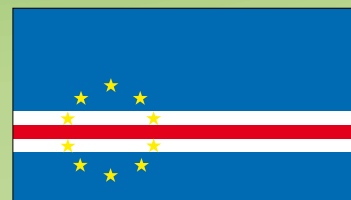
Tel: +257 2222 5142

Fax: +257 2222 3128

Website: <http://www.brb-bi.net>



# Cape Verde

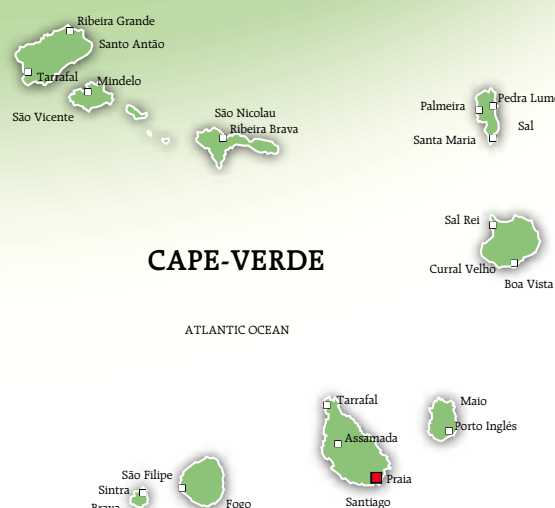


2009 at a glance	
Population (mn)	0.5
Population growth (annual %)	1.4
Official language	Portuguese
Currency	Cape Verde Escudo (CVE)
GDP (Current US\$ bn)	1.9
GDP growth (annual %)	3.3
GDP per capita (Current US\$)	3,688.1
Total Debt (US\$ bn)	1.1
Total Debt/GDP (%)	57.7
CPI (annual %)	4.7
Exports of Goods and services (% of GDP)	15.1
Gross Official Reserves (2008 - in US\$ bn)	0.3
Gross Official Reserves (2008 - in months of imports)	2.7
CVE / 1 USD (Year End)	73.9810

Source: AfDB, Bloomberg

Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Fitch	BB-	B+
Moody's	Not rated	Not rated
S & P	B+	B+

Source: Bloomberg



## ► Summary

- » Cape Verde has a small but well-established financial system.
- » The country's banking sector is still fairly isolated from the global markets and was shielded from the recent financial turmoil.
- » The fixed income market is dominated by central Government issuance.
- » The investor base is dominated by commercial banks.

## ► Monetary Policy and Money Market

The Central Bank, Banco de Cabo Verde (BCV), is responsible for defining monetary policy. The main policy goal is maintaining the fixed currency peg of the Cape Verde Escudo (CVE) against the Euro.

The BCV auctions Central Bank bills to influence interest rates using "Títulos de Regulacao Monetaria" (TRM), with maturities of up to 14 days. The BCV also conducts

open market operations to mop up excess liquidity using "Títulos de Intervencao Monetaria" (TIM).

In addition, the BCV uses foreign exchange sales to local banks as a policy setting mechanism.

The interbank money market is rather illiquid, characterized by a restricted number of participants.

## ► Fixed Income Market

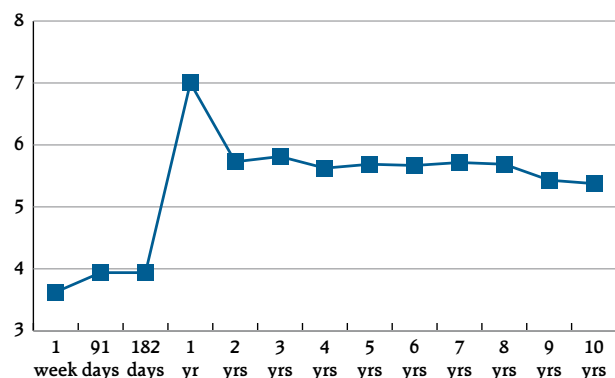
### Government Securities

The offering of Treasury bills includes securities of 91-, 182- and 364-days maturities. Bills are sold through auctions by the BCV.

Longer instruments are also available, with maturities of 3, 5, 6 and 10 years which are used to finance medium and long-term Government spending. The minimum dealing size for Treasury bonds is CVE 10,000.

The graph below illustrates the Government securities yield curve.

**Government securities yield curve as at 20 April 2010**



Source: Central Bank of Cape Verde

### Non-Government Securities

The number of corporate bonds in the market is small and limited to a few well-established banks, the national transport companies and real estate operators. In 2008, for the first time, a privately held bank issued a bond without Government guarantee.

The interest rate profile of available instruments includes fixed and floating rates. As of late 2009, the longest available maturity was 10 years.

### Intermediaries

The BCV is the issuer of all Government securities. All transactions involving fixed income instruments issued by private companies are conducted via commercial banks.

### Investors

Commercial banks are the main buyers of Government bills and bonds in the competitive market. To date, there are five commercial banks active in the country: "Banco Comercial do Atlantico", "Caixa Economica de Cabo Verde", "Banco Interatlantico", "Banco Caboverdiano de Negocios" and "Banco Africano de Investimentos".

There is also an offshore banking market, which comprises eight international banking institutions.

Additionally, there is a thriving market for non-bank financial institutions such as Insurance companies, Asset Manager and Pension Funds.

Retail Investors are encouraged to participate in the fixed income market. A large portion of these small investors are part of the Cape Verde Diaspora.

### Secondary Market

The secondary market is not very active, with most investors adopting a buy-and-hold approach. The development of a thriving secondary market is one of the cornerstones of the country's medium and long-term debt market strategy.

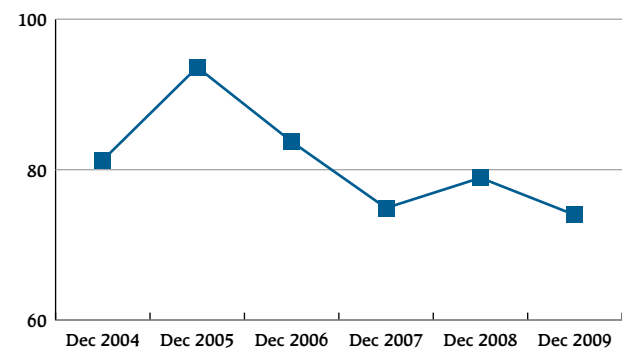
## ► Foreign Exchange Market

The Cape Verde Escudo is under a fixed peg regime to the Euro. The Central Bank monitors its policy interest rate in a manner consistent with the peg.

Current account transactions have been liberalized. Foreign investors are allowed to hold foreign currency denominated accounts.

The opposite graph provides historical levels of the CVE against USD.

**CVE per Unit of USD (Year End)**



Source: Bloomberg

## ► Regulation and Taxation

### Regulation

Capital markets are regulated by the "Codigo do Mercado dos Valores Mobiliários" which regulates the issuance of bonds. The BCV has regulatory oversight of the financial sector. Insurance companies fall under the supervision of the Ministry of Finance.

### Taxation

Interest paid on Treasury bills and bonds is exempt from tax. Corporate-Bonds are taxed at a rate of 5% as of 2009.

## ► Clearing and Settlement

The BCV is in charge of maintaining the country's payment system. The "Sistema Integrado de Compensacao Interbancaria e de Liquidacao" (SICIL) is the settlement mechanism used for transactions involving the BCV, commercial banks, the Treasury and the stock exchange.<sup>1</sup> This

system was supported by physical documents, although it is evolving progressively to an electronic processing system.

<sup>1</sup> Banco Central de Cabo Verde: Relatorio de Estabilidade Financeira 2008

## ► Regulatory Contacts

### Banco de Cabo Verde

CP 101 Praia  
Cape Verde  
Tel: (+238) 261 5526/5530  
Fax: (+238) 261 1914  
Email: drs@bcv.cv  
Website: www.bcv.cv

# Central African Economic and Monetary Community (CEMAC)



2009 at a glance	Cameroon	Central African Republic	Chad	Congo	Equatorial Guinea	Gabon
Population (mn)	19.5	4.4	11.2	3.7	0.7	1.5
Population growth (annual %)	2.3	1.9	2.7	1.7	2.6	1.8
Official language	French/English	French	French/Arabic	French	Spanish/French	French
Currency	CFA Franc (XAF)					
GDP (Current US\$ bn)	24.4	2.1	5.1	12.6	11.6	11.7
GDP growth (annual %)	2.4	2.3	1.7	9.5	-4.1	0.7
GDP per capita (Current US\$)	1,248.7	475.6	453.8	3,431.3	17,164.9	7,937.4
Total Debt (US\$ bn)	1.7	1.1	1.5	2.1	0.1	2.1
Total Debt/GDP (%)	7.1	48.2	30.1	16.8	1.0	17.6
CPI (annual %)	2.6	3.3	4.0	4.0	5.1	1.9
Exports of Goods and services (% of GDP)	22.7	12.3	49.7	77.4	92.1	56.7
Gross Official Reserves (in US\$ bn)	3.1	0.1	0.9	3.6	3.8	1.8
Gross Official Reserves (in months of imports)	5.9	3.5	2.8	9.5	10.2	5.9
XAF / 1 USD (Year End)	457.840					

Source: AfDB, Bloomberg

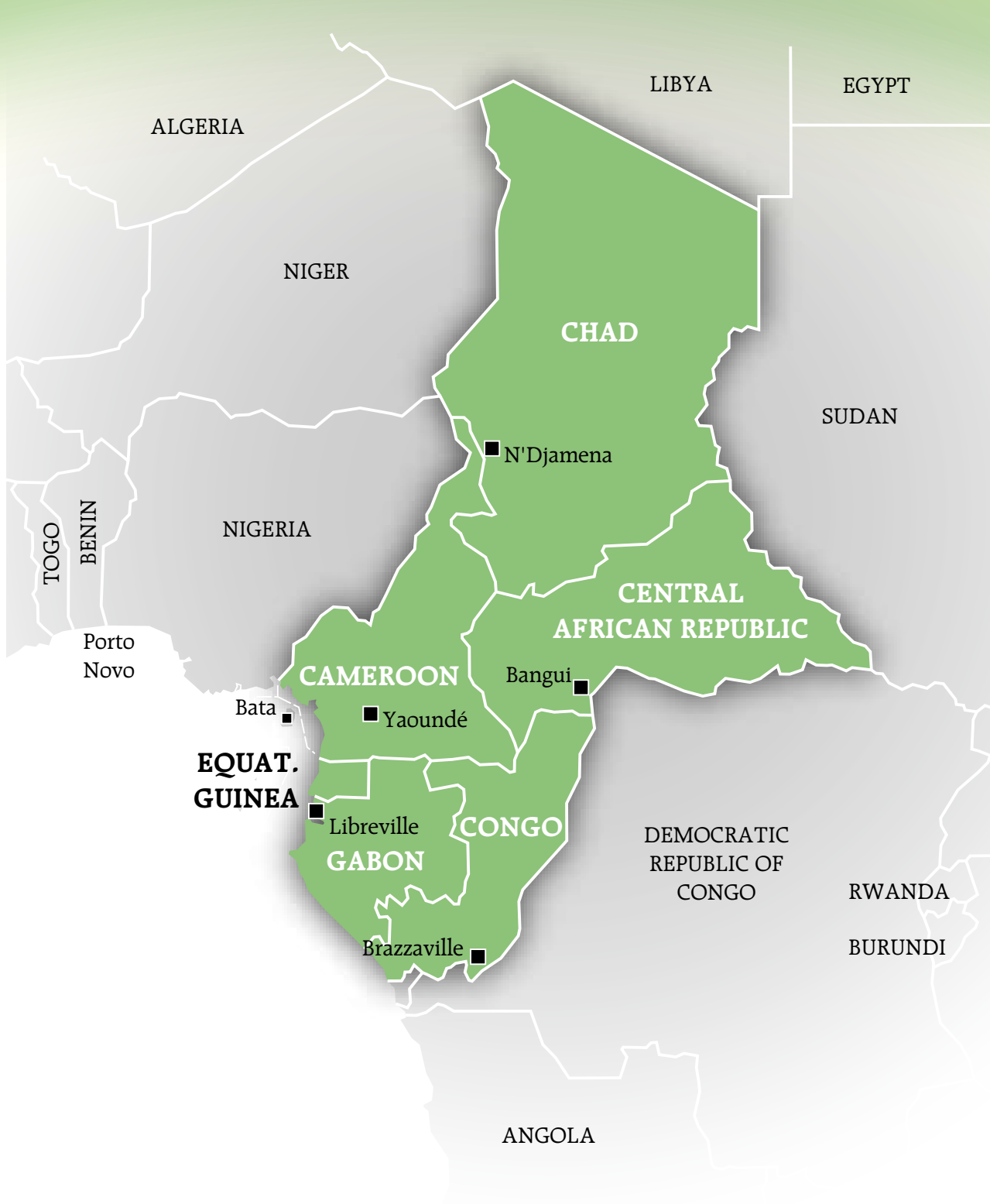
## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
<b>Gabon</b>		
Fitch	BB-	BB-
Moody's	Not rated	Not rated
S & P	BB-	BB-
<b>Cameroon</b>		
Fitch	B-	B
Moody's	Not rated	Not rated
S & P	B	B
<b>Chad, Congo, Equatorial Guinea, Central African Republic</b>		
Fitch	Not rated	Not rated
Moody's	Not rated	Not rated
S & P	Not rated	Not rated

Source: Bloomberg

## Summary

- » The Government bond market in the CEMAC region is still at a nascent stage with only one Government bond outstanding.
- » The CEMAC region has an active corporate bond primary market.
- » Framework is in place for weekly and monthly auctions of Treasury bills and bonds. Issuances are expected in the coming months.



## ► CEMAC Overview

The Economic and Monetary Community for Central Africa (CEMAC) has six member states: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon. The framework for this organization was prepared in 1994 by the Customs and Economic Union of Central Africa (UDEAC). UDEAC was superseded by CEMAC in 1999.

CEMAC aims to promote the regional and economic integration of its member states by forming a monetary union. CEMAC member countries share a common independent Central Bank, the Bank of Central African States (Banque des Etats de l'Afrique Centrale – BEAC), and a

common currency, the CFA Franc (Franc de la Coopération Financière en Afrique Centrale).

In 2003, CEMAC countries agreed to create a common regional stock exchange market with the establishment of the BVMAC<sup>1</sup>, located in Libreville, Gabon, while Cameroon launched its own stock exchange, the Douala Stock Exchange (DSX). The BVMAC welcomed its first operations in August 2008 with the listing of the Gabonese Republic's initial sovereign bond.

<sup>1</sup> Bourse des Valeurs Mobilières de l'Afrique Centrale

## ► Monetary Policy and Money Market

The BEAC's main policy goal is to maintain price stability and to the extent possible to support the general economic policies of member countries. The BEAC also aims to preserve the stability of the CFA Franc (XAF), which is pegged to the Euro. The French Treasury guarantees the convertibility of the XAF.

The BEAC sets the monetary policy for the CEMAC's zone and that of the individual member states. The Bank focuses on keeping monetary and credit variables under control and in line with macroeconomic objectives such as GDP growth and balance of payments stability.

A monetary policy committee takes policy decisions when needed and communicates final decisions to the public. The target inflation rate for the region has been set at a maximum of 3%.

The BEAC uses both reserve requirements and the discount window to implement its policy. The Bank's main benchmark interest rate is the "taux d'intérêt des appels d'offres" (TIAO), which is the interest rate at which funds are extended to financial institutions. The Bank also provides funding to CEMAC member states to fund their deficits.

The funding is charged at specific rates set by the Governor. In July 2002, the BEAC decided to limit its member-country draw-downs to 20% of the amount of tax receipts corresponding to the previous fiscal year, however, this measure was never enforced. On 1 July 2009, member countries renewed their commitments to annually reduce the outstanding amount of their borrowings from the BEAC by gradually replacing BEAC's loans with Treasury bills and bond. There is no money market benchmark reference in the XAF zone.

## ► Fixed Income Market

### Government Securities

The Government bond market is still at a nascent stage as there is no significant bond issuance track record. There has been no recent Treasury bills and bonds issuance from member states.

### Instruments

In order to fulfil their short-term funding needs, national treasuries are allowed to conduct weekly auctions to issue short-term debt. Member states are also allowed to conduct monthly auctions to issue Treasury bonds of 2-year tenor and above. In addition, bond syndication by local and foreign issuers is allowed.

Treasury bills and bonds (Bons et Obligations du Trésor) can be issued through weekly and monthly auctions respectively with 13-, 26 and 52-week tenors for Treasury bills and 2-years maturity or more for Treasury bonds. The national treasuries of member states act as issuing agents to fulfil their respective countries' budget deficits and debt management requirements.

The details of Government debt issuance are summarized in the table below.

#### Auction details

	T-bills	T-bonds
Auction frequency	Weekly	Weekly
Auction method	Requested/ Multiple rates	Requested/ Multiple rates
Settlement cycle	BVMAC (T+3) DSX (T+4)	
Access	Through 15 primary dealers	
Minimum bid amount	XAF 10 million	
Foreign investors	Not allowed to participate	

#### Non-Government Securities

The CEMAC corporate debt market is still at a nascent stage. Up to 2008, the only issues were the BDEAC private placements<sup>2</sup>, and the City of Douala inaugural medium-term notes programme<sup>3</sup>. In 2009, two bond issues were launched by IFC and Prix-Import. The table below provides a list of bond issues in the CEMAC zone.

<sup>2</sup> BDEAC issued in 2007, XAF 30bn 5.50% 2012 bond

<sup>3</sup> City of Douala Issued in 2005, XAF 16bn 2010 8.25% bond.

#### List of bonds issued in the CEMAC zone since 2005<sup>4</sup>

Year	Issue name	Rating	Nominal (in bn XAF)	Coupon	Coupon Frequency	Maturity (year)	Remarks
2009	International Finance Corporation (IFC)	AAA	20.00	4.25%	Annual	2014	Listed on BVMAC & DSX
2009	Prix-Import	N/R	500.00	7.00%	Annual	2014	Listed on the BV-MAC
2008	BGFI	N/R	40.00	5.00%	Annual	2014	Private Placement
2008	Banque Gabonaise de Développement (BGD)	B+	10.00	6.00%	Annual	2014	Private Placement
2007	Republic of Gabon	BB-	100.00	5.50%	Annual	2013	Listed on the BV-MAC
2007	Central African Republic	N/R	45.00	8.00%	Annual	2012	Cancelled
2007	BDEAC	N/R	30.00	5.50%	Annual	2012	Private Placement
2005	City of Douala	N/R	16.00	8.25%	Annual	2010	Private Placement

<sup>4</sup> Source: COSUMAF as at March 24, 2010.

#### Intermediaries

Primary subscription of Treasury bills and bonds is to some extent limited to primary dealers, including banks and national and regional financial institutions, which have a depository account with BEAC. Since 2004, a few brokerage houses have been created in the region: 3 in Gabon and 11 in Cameroon. There are also investment banks licensed as brokers.

#### Investors

All investors have direct or indirect (via brokers and dealers) access to the primary market. Foreign investors can participate in the market through local banks. Banks dominate the financial sector and account for most of the financial assets. A few foreign banks have established a presence in three CEMAC countries, and together represent about one-third of the sector. Credit growth remains hampered by a lack of competition. A significant reduction of credit extension was observed in 2009 as local banks sought to reduce their exposure.

The BEAC does not purchase securities for its own books in the primary market, but under certain conditions can intervene in the secondary bonds market and purchase securities that were issued by public auction.

#### Primary Market

Participation at auction is restricted to primary dealers which hold sufficient reserves in their depository accounts with BEAC.

However, in the case of bonds syndication, all investors (foreign and domestic) have free access to the primary market. The minimum investment size is XAF 10 million. Transactions on securities issued by public auction are executed over-the-counter (OTC) while syndicated bonds are traded both on the stock exchange and OTC.

The standard day-count conventions are Act/365 for bonds and Act/360 for the money market. Currently, only fixed coupon debt instruments with bullet repayment are allowed.

## Secondary Market

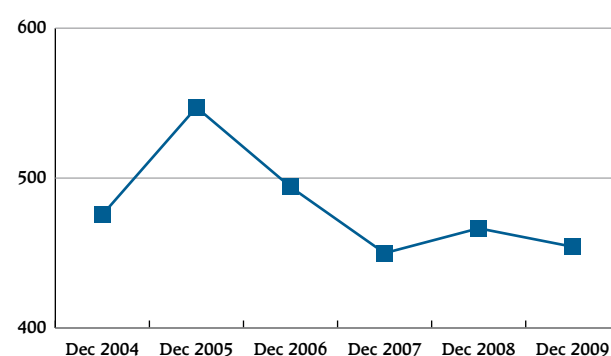
The secondary market is still embryonic. All secondary market transactions must be conducted via certified intermediaries such as banks, non-bank institutions, regional financial institutions, asset managers and brokerage companies.

## ► Foreign Exchange Market

The CFA Franc (XAF) follows a fixed currency peg regime against the Euro. The Franc is not traded outside of the union, but is fully convertible against the Euro. The parity is currently set at 655.957 XAF per 1 EUR.

The current account is fully liberalized while capital account transactions are subject to declaration requirements.

**XAF per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

Currently, there is no active derivatives market in the region.

## ► Regulation and Taxation

### Regulation

With the exception of Cameroon, the BEAC and the Commission de Surveillance du Marché Financier de l'Afrique Centrale (COSUMAF) oversee the capital market, whereas the BVMAC (the regional stock exchange is not yet fully operational) authorizes the listing of companies and oversees trading and brokers' activities in the CEMAC zone. In Cameroon, the capital market authority is the Commission des Marchés Financiers (CMF), which oversees the Douala Stock Exchange (DSX).

The insurance sector and banking sector are respectively supervised by the Conférence Interafricaine des Marchés d'Assurances (CIMA) and the Commission Bancaire de l'Afrique Centrale (COBAC), while the Groupe d'action Contre le Blanchiment d'Argent en Afrique Centrale (GABAC) deals with money laundering.

### Taxation

Interest and capital gains on securities are taxable at 15%. However, interest generated on Treasury bills and bonds is exempt for CEMAC residents.



## ► Clearing and Settlement

There are three main clearing and depository houses in the CEMAC zone. The clearing and settlement of Treasury securities and other fixed income instruments is done automatically through different settlement platforms. Securities issued by public auction are settled by the Cellule de Règlement et de Conservation des Titres (CRTC) hosted at the BEAC, securities listed on the BVMAC are settled directly by the exchange, and bonds listed at the

DSX are settled by the Caisse Autonome d'Amortissement du Cameroun (CAAC).

Settlement of transactions is conducted at the close of each trading day. The minimum delivery delay is T+2.

## ► Regulatory Contacts

### Banques des Etats de l'Afrique Centrale (BEAC)

BP 83, Yaoundé, Cameroon  
Avenue Vogt, Yaoundé, Cameroon  
Tel: +237-223-0511/3390  
Fax: +237-223-3380  
E-mail: beac@beac.int, beacyde@beac.int  
Website: www.beac.int

### Bourse des Valeurs Mobilières de l'Afrique

Centrale (BVMAC), Place de l'Indépendance  
B.P. 2165, Libreville, Gabon  
Website: www.bvm-ac.com

### Commission Bancaire de l'Afrique Centrale COBAC)

BP 1917, Yaoundé, Cameroon  
Avenue Vogt, Immeuble de la BEAC, Yaoundé, Cameroon  
Tel: +237-223-4060/4030  
Fax: +237-223-3329

### Douala Stock Exchange (DSX)

BP 442, Douala, Yaoundé  
1450 Blvd. de la  
Liberté, Douala, Yaoundé  
Tel: +237-343-8583  
Fax: +237-343-8584  
E-mail: dsx@douala.stock-exchange.com  
Website: www.douala.stock-exchange.com

### Commission de Surveillance du Marché

Financier de l'Afrique Centrale (COSUMAF) B.P. 1724,  
Libreville, Gabon  
Tel: +241-747591  
Fax: +241-747588  
E-mail: infocosumaf@cosumaf.org  
Website: www.cosumaf.org

# Comoros



## 2009 at a glance

Population (mn)	0.7
Population growth (annual %)	2.3
Official language	French/Arabic
Currency	Comorian Franc (KMF)
GDP (Current US\$ bn)	0.5
GDP growth (annual %)	1.0
GDP per capita (Current US\$)	775.6
Total Debt (US\$ bn)	0.3
Total Debt/GDP (%)	48.5
CPI (annual %)	4.8
Exports of Goods and services (% of GDP)	15.7
Gross Official Reserves (2008 - in US\$ bn)	0.1
Gross Official Reserves (2008 - in months of imports)	5.3
KMF / 1 USD ( Year End)	343.181

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

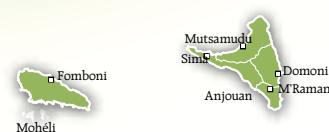
Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## COMOROS

INDIAN OCEAN



## ► Summary

- » The market does not have fixed income securities.
- » Monetary and exchange rate policy is governed by the exchange rate peg enshrined in the Franc Zone Monetary Cooperation Agreement
- » There is free convertibility of earnings and capital.

## ► Monetary Policy and Money Market

The requirement to maintain the Franc Zone peg is the determinant of monetary policy and is intended to help maintain a level of net foreign assets that is consistent with the monetary cooperation agreement signed with France. In this context and under the statutes of the Central Bank of Comoros (CCB), the coverage of short-term liabilities of the CCB by its foreign assets must be above 20%. The peg to the Euro has provided an anchor for price stability.

The CCB has set intermediate goals for money supply and domestic credit that it achieves through reserve requirements, a discount rate and refinancing limits on Government expenditures. The reserve requirement of 35% applies to all liabilities in the banking system and is remunerated by the CCB at a specific policy rate. The possibilities for refinancing of the state by the CCB are limited to 20% of the average ordinary budget revenues actually collected during the three previous fiscal years.

## ► Overview of Financial Sector

Until recently, the financial sector comprised of only one foreign-owned commercial bank, a development bank, a postal savings bank, and two networks of microfinance institutions (MFIs). In the last two years, the Central Bank of Comoros (BCC) has granted licenses for the opening of two new foreign commercial banks, including one branch of Tanzania's EXIM Bank. These developments are bringing about much needed expansion of financial intermediation.

Against this background, the IMF in conjunction with Banque de France is providing technical assistance to the BCC to strengthen financial sector supervision.

The Ministry of Finance, as recommended by the BCC established an interest rate floor and cap. However, financial institutions determine their own credit and lending policies independently.

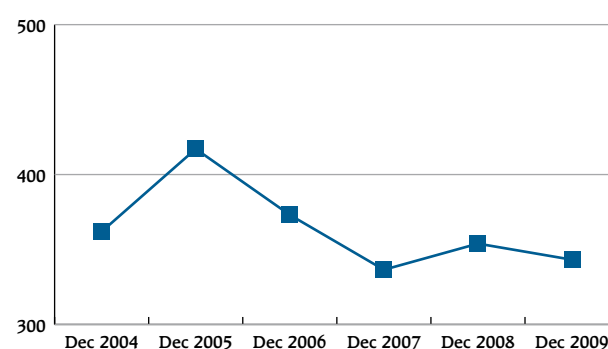
## ► Foreign Exchange Market

The Comoros belongs to the Franc Zone. A monetary cooperation agreement was signed between France and the Comoros on 23 November 1979. This cooperation is based on the following criteria:

- » the unlimited guarantee by France of the currency issued by the CCB;
- » the Comorian Franc (KMF) is pegged to the Euro at KMF 491.96775 / 1 EUR;
- » deposits with the French Treasury (at least 65% of foreign exchange reserves of the Comoros); and
- » free transfers between the Comoros and France.

International financial transactions between the Comoros and foreign counterparties are freely convertible.

**KMF per Unit of USD (Year End)**



Source: Bloomberg

## ► Regulation and Taxation

The Banking system is regulated by the Central Bank of Comoros.

## ► Regulatory Contacts

### **Banque Centrale des Comores**

B.P. 405, Moroni, Comoros

Tel: +269-73-0243, 72-1002

Fax: +269-73-0349

E-mail: bcc@snpt.km

# Democratic Republic of Congo



2009 at a glance	
Population (in millions)	66.0
Population growth (%)	2.7
Official language	French
Currency	Congolese Franc (CDF)
GDP (Current US\$ bn)	11.9
GDP growth (annual %)	2.7
GDP per capita (USD)	179.6
External Debt (US\$ in bn)	13.8
External Debt/GDP (%)	116.6
CPI(annual change % –end of period)	24.3
Exports of Goods and services (% of GDP)	42.4
Gross Official Reserves (in US\$ bn)	1.1
Gross Official Reserves (in months of imports)	2.0
CDF / 1 USD (Year end)	907.1852

Source: AfDB, BBC, Bloomberg



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » Government issues Treasury bills with maturities up to 28 days.
- » Weekly auctions for 7-day Treasury bills and monthly auctions for 28-day Treasury bills.
- » Commercial banks are the main investors.
- » No secondary market activity.

## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of the Democratic Republic of Congo (DRC), the Banque Centrale du Congo (BCC), was established in 1960. It supervises the financial system and acts as the financial and fiscal agent of the Government, providing advice on economic and monetary management issues. One of the primary objectives of the BCC is to maintain price stability. The BCC formulates and implements monetary policy through open market operations, reserve requirements and the discount rate for commercial banks.

### Money Market

The main instruments in the DRC money market are Treasury bills (Billet de Trésorerie – BTR), which are issued by the BCC at weekly auctions.

The first component of this market is the short-term loan window through which authorized commercial banks can borrow funds from the BCC for a 7-day maximum tenor. The second component is the permanent facility window that allows banks to unwind their daily short positions within 24 hours, subject to appropriate collateral with the BCC.

## ► Fixed Income Market

### Government Securities

The BCC issues BTR with 7-day and 28-day maturities to absorb excess liquidity in the interbank market. Depending on the monetary policy requirement, BTR may be issued for different maturities. These securities are fully dematerialized and sold through commercial banks with current accounts and securities accounts at the BCC. They are issued weekly, and are freely tradable through the banking system. The rates are set by the BCC based on the year-to-date inflation levels plus a premium. The day-count basis convention used for BTBs is acutal/360.

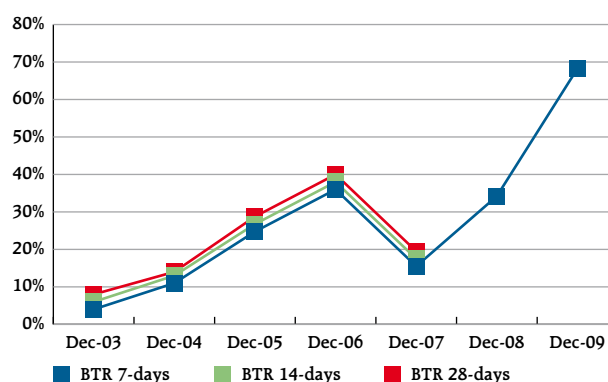
#### Auction details

	T-bills
Auction frequency	<ul style="list-style-type: none"> <li>• Weekly for 7-day BTR</li> <li>• Monthly for 28-day BTR*</li> </ul>
Auction method	<ul style="list-style-type: none"> <li>• Banks through competitive bids;</li> <li>• Individuals non competitive bids</li> </ul>
Settlement cycle	–
Access	Banks and other financial institutions
Minimum bid amount	CDF 1 000000.
Foreign investors	No restriction

(\*) Depending on the monetary policy needs

The following graph illustrates the change in BTR weighted average interest rate from 2003 to 2009.

Historical BTR weighted average rates from 2003 to 2009



Source: BCC

### Non-Government Securities

There is no corporate debt market in the DRC. Private sector financial needs are met directly through commercial bank loans.

### Investors

Commercial banks are the main investors as they account for the majority of BTR holdings.

### Primary Market

The primary market is restricted to commercial banks with securities accounts at the BCC. Institutional and retail investors submit their bids through these commercial banks.

## Secondary Market

Commercial banks may buy or sell BTR on the secondary market. In both cases, they are obliged to display prices, both bid and ask, at which they are willing to conduct transactions.

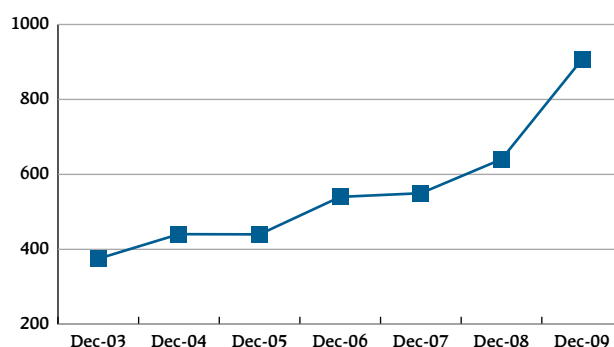
As of 31 December 2009, the outstanding stock of BTR was CDF 56.57 billion, an increase of 20.6% compared to the outstanding balance as of December 2008.

## ► Foreign Exchange Market

The Congolese Franc (CDF) was introduced in 1998. The main objective of the DRC exchange rate policy is to reduce the currency's volatility through a managed exchange rate system. The interbank FX market determines the market rate.

The opposite graph provides historical levels of the CDF against the USD.

**CDF per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

There is no derivatives market.

## ► Regulation and Taxation

### Regulation

The BCC supervises the banking sector, which comprises 21 commercial banks and several microfinance institutions.

### Taxation

Interest and capital gains are taxable at 20% per annum.

## ► Clearing and Settlement

Each bank holds a securities account with the central bank. A special clearing and settlement session is organized every Wednesday to pay the BTRs presented on

collection by banks and to issue new ones for purchases presented by banks.

## ► Regulatory Contacts

### **Banque Centrale du Congo**

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Tel: +243-122-0704

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E-mail: [cabgouv@bcc.cd](mailto:cabgouv@bcc.cd)

Website: [www.bcc.cd](http://www.bcc.cd)



# Djibouti



## 2009 at a glance

Population (mn)	0.9
Population growth (annual %)	1.7
Official language	French
Currency	Djiboutian Franc (DJF)
GDP (Current US\$ bn)	1.1
GDP growth (annual %)	5.1
GDP per capita (Current US\$)	1,319.1
Total Debt (US\$ bn)	0.7
Total Debt/GDP (%)	57.8
CPI (annual %)	7.7
Exports of Goods and services (% of GDP)	46.8
Gross Official Reserves (in US\$ bn)	0.2
Gross Official Reserves (in months of imports)	3.1
DJF / 1USD (Year end)	177.720

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » There are no fixed income Government securities in Djibouti.
- » The Djiboutian Franc follows a currency board foreign exchange regime and is freely convertible.
- » There has been significant growth in the banking sector during the last three years.

## ► Monetary Policy and Money Market

Monetary policy is implemented by the Central Bank, the Banque Centrale de Djibouti, acting on behalf of the National Council of Money, Credit and Foreign Trade. Monetary policy of the Central Bank seeks to preserve the value of the local currency by maintaining the currency board.

The supply of money in Djiboutian Francs (DJF) is determined by the available coverage in USD at the fixed

exchange rate. Djibouti does not use open market operations or reserve requirements as monetary policy tools but is considering the introduction of reserve requirement to mop up structural liquidity and contain inflationary pressure. The monetary authorities may extend credit to the state, subject to the specific consent of the Council of Ministers and given the obligations of full convertibility of national currency.

## ► Overview of the Financial Sector

The banking sector has experienced significant growth in the last three years. Indo-Suez Bank, in existence for more than 100 years, and Commercial and Industrial Bank (BCIMR), operational for more than 50 years, have dominated Djibouti's banking industry. The BCIMR, a majority French-owned bank, controls around 60% of the market.

During 2009, eight new banks, both Islamic and conventional, were licensed and began operations in the banking sector. This number is considerably higher than the three that were present in 2006. Iraq-based Warka Bank for Investment and Finance and Egypt's Shoura Bank are expected to start operations in Djibouti in 2010.

Most of the new banks are from regional neighbouring countries seeking exposure to the region, primarily by providing deposits and international transactions services to Ethiopian customers engaged in imports/exports. Djibouti supplies port facilities to Ethiopia.

There is no insurance provision on deposits, however the Central Bank supervision ensures adherence to prudential rules.

The pension system is based on a pay-as-you-go system that was created by the French administration before Djibouti's independence, and is comprised of the following three pension funds: the Caisse Nationale de Retraite for civil servants, the Organisme de Protection Sociale for private sector employees and public enterprises, and the Caisse Militaire de Retraite for military personnel.

Money transfer services are vital to the functioning of the financial sector. The international money transfer network Dahabshil opened its first bank branch in Djibouti in March, and intends to offer Sharia-compliant products.

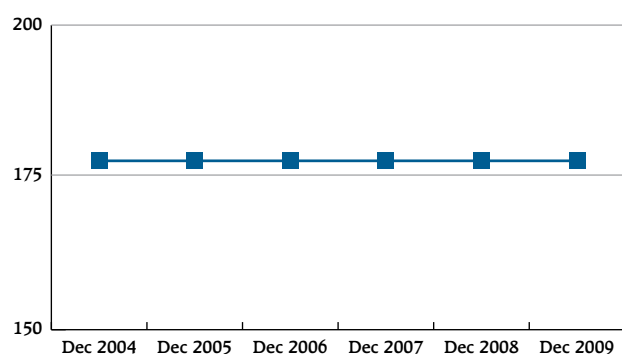
Djibouti is a member of the regional Free Trade Area of the Common Market for Eastern and Southern Africa (COMESA).

## ► Foreign Exchange Market

Djibouti has followed a Currency Board FX regime for more than three decades. Accordingly, the full issue of the Djibouti Franc is covered by its foreign exchange reserves. The Djibouti Franc is pegged to the US Dollar, at DJF 177.721 / 1 USD. Djibouti has no foreign exchange restrictions. There are no limitations on converting or transferring funds, or on the inflow and outflow of cash. Second-tier banks are required to have coverage in convertible currency that is proportionate to their deposits in national currency.

The opposite graph provides historical levels of the DJF against the USD.

DJF per Unit of USD (Year End)



Source: Bloomberg

## ► Regulation and Taxation

The financial sector is supervised and regulated by the Banque Centrale de Djibouti. There is no tax on financial income, profits or foreign exchange transactions.

## ► Regulatory Contacts

### **Banque Centrale de Djibouti Mailing**

B. P. 2118,

Djibouti

Avenue St.

Laurent du Var, Djibouti

Tel: +253-35-2751

Fax: +253-35-6288

E-mail: [bndj@intnet.dj](mailto:bndj@intnet.dj)

Website: [www.banque-centrale.dj](http://www.banque-centrale.dj)

# Egypt



2009 at a glance	
Population (mn)	83.0
Population growth (annual %)	1.8
Official language	Arabic
Currency	Egyptian Pound (EGP)
GDP (Current US\$ bn)	167.4
GDP growth (annual %)	4.0
GDP per capita (Current US\$)	2,016.8
Total Debt (US\$ bn)	31.7
Total Debt/GDP (%)	18.9
CPI (annual %)	9.9
Exports of Goods and services (% of GDP)	29.4
Gross Official Reserves (in US\$ bn)	31.9
Gross Official Reserves (in months of imports)	6.4
EGP / 1USD (Year end)	5.484

Source: AfDB, Bloomberg



Sovereign rating as at March 24, 2010		
Long-Term	Local Currency	Foreign Currency
Fitch	BBB-	BB+
Moody's	Ba1	Ba1
S&P	BBB-	BB+

Source: Bloomberg

## ► Summary

- » In 2005/06, the Government of Egypt embarked on an ambitious financial sector reform programme with African Development Bank and World Bank support to raise competitiveness and increase private sector involvement.
- » The fixed income market in Egypt is not very diversified in terms of issuers and investors.
- » The Ministry of Finance publishes indicative daily bond yields using four different maturity bonds: 2011, 2013, 2015 and 2018. The longest available maturity is 2025.
- » Treasury bills are auctioned on a weekly basis
- » The corporate bond market has issues with maturity up to eight years.
- » Bloomberg and Reuters codes for market data:
  - Bloomberg: CBEG
  - Reuters page: 0#/EGCORP=CA.

## ► Monetary Policy and Money Market

### Monetary Policy

The main objective of the Central Bank of Egypt (CBE) is price stability. The overnight interest rate on interbank transactions is the main operational target of CBE's open market operations. The Monetary Policy Committee (MPC) is responsible for setting this rate. In addition, a Coordinating Council was established in 2005 and its members include the Ministers of Finance, Planning and Investment, the CBE Governor and his two deputies, and six members with international expertise in economic, banking and financial affairs. The Coordinating Council determines monetary policy targets such that price stability objectives are harmonized with the general economic policy of the

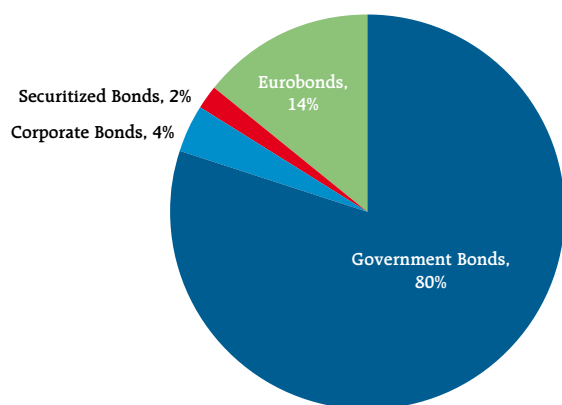
State. The CBE also conducts deposit auctions to absorb excess liquidity in the market.

The Central Bank plans to adopt an inflation targeting policy in the near-medium term. This will further enhance the predictability and transparency of monetary policy in Egypt.

## ► Fixed Income Market

The fixed income market in Egypt is dominated by Government issuance. In recent years, the number of corporate issues in both securitized and non-securitized form has increased, but Government securities still represent the bulk of total bond issuances, as seen in the chart below.

**Holdings by type of security as at 2008 (in percent)**



Source: Egyptian Stock Exchange, Annual Report, 2008

Despite the limited number of available instruments, the market offering is relatively sophisticated. Local investors are exposed to various bond structures including amortizing, bullet, and callable structures with fixed and floating coupons.

### Government Securities

As of March 2009, the Government had issued bonds with a cumulative value of EGP 9.2 billion and bills with a value of EGP 74 billion.<sup>1</sup>

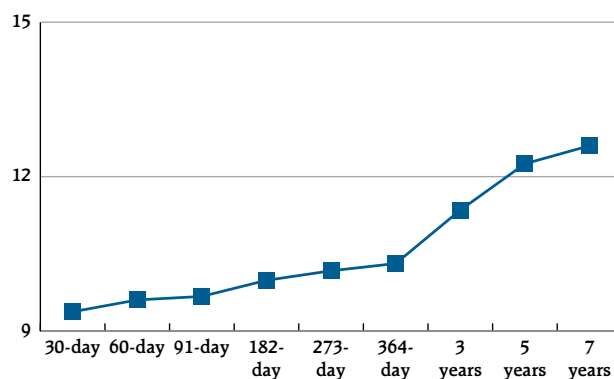
Treasury bills are issued for 91, 182, 259, 266, 273, 350, 357 and 364 days. Treasury bill auctions are conducted on a weekly basis through primary dealers. An issuance calendar is published quarterly by the Ministry of Finance, providing information on debt issuance and auctions.

The Government also issues Treasury bonds of various tenors, with the longest outstanding maturity due in 2025. This 20-year bond had a 3.5 bid-to-cover ratio at issuance in 2005.

The Government of Egypt also issues development bonds and housing bonds. These instruments raise financing capital for specific projects. They represent a very small share of the overall market.

The graph below illustrates the Government securities yield curve.

**Government securities yield curve as at 21 April 2010**



Source: Central Bank of Egypt

<sup>1</sup> Central Bank of Egypt, 2009.

## Non-Government Securities

The number of corporate issues available in Egypt is small and fairly short-dated. The longest instrument has a maturity of eight years (2017), as seen in the table below.<sup>2</sup>

Given the limited offering, banks play a major role in the intermediation of corporate credit. As a result, there is significant room for growth in corporate issuance.

### List of non Government securities

Bond Name	Issue	Maturity	Issue Value (mn)	Currency
Contact – 4th Issue	Dec 08	Dec 13	39	L.E
Contact- 2nd Issue	Dec 06	Dec 11	49	L.E
Contact-3rd Issue	Dec 07	Dec 12	170	L.E
Egyptian Arab Land Bank-Securitization Bonds-2nd Issue	Aug 07	Aug 17	710	L.E
Egyptian Arab Land Bank-Securitization Bonds-1st Issue	June 06	June 13	500	L.E
Egyptian Securitization Company	April 08	Dec 12	267	L.E
El Ezz Stell Rebars-2nd Issue	June 08	Dec 14	1,100	L.E
Golden Pyramids Plaza	Aug 07	June 14	1,567	\$
Telecom Egypt – 2nd Tranche	Feb 05	Feb 10	400	L.E
Telecom Egypt – 1st Tranche	Feb 05	Feb 10	400	L.E

Source: Website, Egyptian Stock Exchange, December 2009.

<sup>2</sup> Bond issued by Al Taamer Securitization Company

## Intermediaries

Government bonds and bills are dealt by primary dealers. Primary dealers are underwriters in the primary market. They currently include 15 banks out of the 39 operating in Egypt.

## Investors

The investor base is narrow. Institutional investors have the predominant market share, accounting for 99% of the total value traded of outstanding Government and corporate bonds.<sup>3</sup> Furthermore, commercial banks are the most active institutional investor.

Social insurance funds and the Post Office are the largest savings institutions in the country. Egypt has two social insurance funds, one for public and the other for private sector employees. In addition, there are more than 20 insurance providers in Egypt. The social insurance and pension funds, estimated at EGP 272 billion in 2008, are invested in infrastructure projects, treasury-guaranteed bonds and National Investment Bank (NIB) bonds.

The participation of retail and foreign investors is still negligible.

## Secondary Market

In the secondary market, primary dealers are market makers conducting transactions for their own accounts. They also act as brokers buying/selling securities on behalf of their clients.

<sup>3</sup> Egyptian stock exchange, data from Jan 2009 to Aug 2009

## Foreign Exchange Market

After more than a decade in a crawling-band regime, the Egyptian Pound has followed a managed float since 2003. The volume of transactions in the dollar interbank market reached USD 19.4 billion during the period from July to December 2009.<sup>4</sup> Sales by public banks reached roughly 20% of the total volume of transactions, with purchases at approximately 3%. Privately-owned banks' sales and purchases accounted for the remaining transactions.

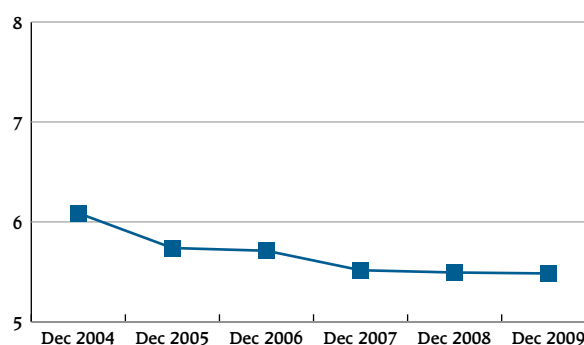
Both the current account and capital account are liberalized.

An interbank spot and forward market is active onshore up to 1 year, but any conversion of EGP into hard currency must be linked to commercial or investment transactions. There is a small offshore non-deliverable forward

market of up to 1 year, although most liquidity is within the 3-month tenor.

The graph below provides historical levels of the EGP against the USD.

### EGP per Unit of USD (Year End)



Source: Bloomberg

<sup>4</sup> Central Bank of Egypt Economic Review 2008/09

## ► Derivatives Market

The interest rates derivatives market is still at an embryonic stage. The CBE restricts the use of interest rate

swaps. Product offering consists mainly of FX swaps and forwards, with maturities not longer than three years.

## ► Regulation and Taxation

### Regulation

The Egyptian Financial Supervisory Authority (EFSA) replaced the Capital Markets Authority in July 2009. The EFSA is responsible for supervising the non-bank financial institutions, instruments and markets. This includes the Capital Market, the Stock Exchange, all activities related to insurance services, mortgage finance, financial leasing, factoring and securitization.

The legal framework of capital markets in Egypt is based on several laws and regulations: the Capital Market Law and its Executive Regulations, the CMA board of directors' decrees and Depository, the Central registry Law and its Executive Regulation, listing and delisting rules and the CASE membership rules<sup>5</sup>

The Central Bank of Egypt is responsible for overseeing the banking system.

The offering of corporate bonds is subject to prior approval from EFSA. There are various administrative/regulatory procedures associated with obtaining regulatory approval for issuing and listing securities.

### Taxation

Interest on bonds listed in the Egyptian Stock Exchange is exempt from tax.

Capital gains are not taxable, but accrued interest is subject to 20% tax. Interest on corporate bonds is exempt from taxes.

Egypt has tax treaties with the United States of America and the United Kingdom. Investors from these markets are charged with a tax rate of 15% instead of the default rate of 20%.

<sup>5</sup> EFSA website

## ► Clearing and Settlement

The settlement system is based on delivery versus payment. A clearing house – Misr for Central Clearing, Depository and Registry – supports the settlement of equities, corporate and Government debt that are traded on the stock exchange. Treasury bills are cleared and settled by the CBE.

The settlement cycles are as follows:

- » T+0 for securities traded by the Intra-day Trading System
- » T+1 for Government bonds that are traded through Primary Dealers System
- » T+2 for all other securities

## ► Regulatory Contacts

### Central Bank of Egypt

54 Elgomhoreya Street

11511, Cairo Egypt

Tel : +202 27702770/ 27701770 / 25976000

Emails: [info@cbe.org.eg](mailto:info@cbe.org.eg)

Website: [www.cbe.org.eg](http://www.cbe.org.eg)

### The Egyptian Exchange (EGX)

4A, El Sherifien St., Postal Code 11513

P.O. Box 358 Mohamed Farid, Downtown, Cairo

Tel: (202) 23928698 / 23921402 / 23921447

Fax: (202) 23924214

Website: [www.egyptse.com](http://www.egyptse.com)



# Eritrea



## 2009 at a glance

Population (mn)	5.1
Population growth (annual %)	2.9
Official language	Tigrinya
Currency	Nafka (ERN)
GDP (Current US\$ bn)	1.6
GDP growth (annual %)	3.6
GDP per capita (Current US\$)	309.8
Total Debt (US\$ bn)	0.9
Total Debt/GDP (%)	57.9
CPI (annual %)	34.7
Exports of Goods and services (% of GDP)	3.4
Gross Official Reserves (in US\$ bn)	0.1
Gross Official Reserves (in months of imports)	2.8
ERN / 1USD (Year end)	15.0000

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

## ► Summary

- » The fixed income market in Eritrea is in its infancy with very limited issuance, trading and sophistication.
- » The Government of Eritrea issues Treasury bills out to 180 days with pricing fixed by the Central Bank of Eritrea.
- » There is no auction of Government securities and no issuance of corporate bonds.

## ► Monetary Policy and Money Market

The Central Bank of Eritrea implements monetary policy with three instruments, namely open market operations, the discount rate, and required reserves. Due to limited

interbank money market trading liquidity, required reserves play a vital role as a monetary policy operating tool.

## ► Fixed Income Market

### Government Securities

Treasury bills with maturities of 180 days are issued by the Central Bank on behalf of the Government. These bills are not auctioned and the price is fixed by the Central Bank. The proceeds are used to finance the fiscal budget.

### Non-Government Securities

There are no corporate issuances in Eritrea.

### Intermediaries

So far, there are no distinct market makers, brokers or primary dealers.

### Investors

The financial system of the country consists of the Bank of Eritrea (BE) which is the Central Bank, the Commercial Bank of Eritrea (CBE) with 17 branches, the Housing and Commerce Bank of Eritrea (HCBE) which has 10 branches,

the Eritrean Investment and Development Bank (EIDB) with 3 liaison offices, the National Insurance Corporation of Eritrea (NICE) and Himbol Exchange and Financial Service – a financial auxiliary that provides money transfer and foreign exchange services.

The banks are all majority-owned by the Government, while the National Insurance Corporation of Eritrea (NICE) was sold in 2004 to Eritrean investors and converted into a privately held company. Created in 1991, NICE has 57 % of its business in the motor insurance sub-sector. While the Commercial Bank of Eritrea has correspondent banking relations with many international banks, no foreign financial institutions operate in Eritrea.

### Secondary Market

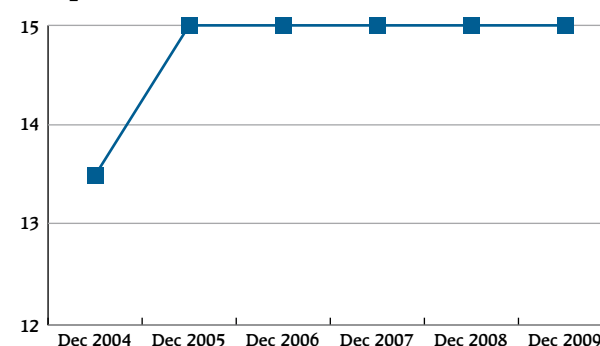
There is no secondary market trading in Treasury bills.

## ► Foreign Exchange Market

The Eritrean Nakfa (ERN) is a conventional peg currency. The Nakfa is pegged to the US dollar at a rate of ERN 15 per 1 USD. A dual exchange rate system existed in the country and there was a substantial difference between the official and parallel market rates until 2005. Official transactions and other priority needs were conducted in the official market, while the vast majority of private transactions, including bona fide current account transactions, were channelled through the parallel market. Since January 2005 the exchange rate structure is unified and only the official exchange market exists. Black market trading in foreign currency is illegal and there are limits to possession and exchange of foreign currency.

The graph below provides historical levels of the ERN against the USD.

ERN per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

There is no derivatives market.

## ► Regulation and Taxation

### Regulation

The banking and insurance sectors are regulated by the Supervision Department of the Central Bank of Eritrea.

### Taxation

There are no taxes on the securities that are issued.

## ► Clearing and Settlement

The Accounts Department of the Bank of Eritrea carries out the clearing and settlement function for Government

securities. Securities are held in physical form only.

## ► Regulatory Contacts

### Bank of Eritrea

P.O.Box 849, Nakfa Street

Asmara, Eritrea

Tel: +291-1-123033/123036

Fax: +291-1-122091

E-mail: kibreabw@boe.gov.er

# Ethiopia



## 2009 at a glance

Population (mn)	82.8
Population growth (annual %)	2.6
Official language	Amharic
Currency	Birr (ETB)
GDP (Current US\$ bn)	29.9
GDP growth (annual %)	6.2
GDP per capita (Current US\$)	361.7
Total Debt (US\$ bn)	4.4
Total Debt/GDP (%)	14.7
CPI (annual %)	35.3
Exports of Goods and services (% of GDP)	8.3
Gross Official Reserves (in US\$ bn)	N/A
Gross Official Reserves (in months of imports)	N/A
ETB / 1USD (Year end)	12.7029

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » The Government securities yield curve has the longest tenor at 182 days.
- » T-bill auctions are announced two weeks before auction.
- » Significant negative real interest rates affect the demand for Government securities.
- » Government bonds are not issued regularly and are for specific purposes/projects.
- » The Government is conducting studies under the Financial Sector Capacity Building Project with a view to developing a strategy and regulatory framework for the development of capital markets.

## ► Monetary Policy and Money Market

### Monetary Policy

The National Bank of Ethiopia (NBE) is responsible for monetary policy management and this function is discharged in close coordination with the Ministry of Finance & Economic Development (MoFED) to ensure coherence between fiscal and debt management policies and monetary policy. A high level Committee comprising the National Bank of Ethiopia and MoFED has been set up to monitor liquidity requirements. The goal of monetary policy is to achieve price stability and foster growth within a stable macro environment. The operating target for monetary policy is money supply. There is a need to shift towards more market-oriented instruments for monetary policy through deepening of the T-bill market, developing a bond market, market-determined interest rates and increasing competition in the banking sector.

### Money Market

The interbank money market in Ethiopia is not well developed; there are very few participants and the volume of transactions is small. As an illustration, there were no interbank money market transactions during the third quarter of financial year 2008/09 and the first quarter of financial year 2009/10. The interbank money market was established in 2001. Since then, the market has been highly illiquid, and as a result, it does not discharge its function of setting benchmark interest rates effectively. This, in turn, limits the range of indirect instruments for liquidity management. The limited development of the interbank money market has partly been caused by excess liquidity in the banking sector.

## ► Fixed Income Market

### Government Securities

Treasury bills are issued for 28-, 91 and 182-day tenors. Auctions are held every fortnight and access to T-bills is open to banks, non-bank institutions, and the public.

Government bonds are issued only for specific purposes, hence the irregular issuance pattern and the absence of a formal Government bonds market. As of 31 March 2009, ETB 8.1 billion worth of Treasury bills was outstanding.

### Non-Government Securities

The Ethiopian market has very few corporate bond issues. Large public enterprises, such as the Ethiopian Electricity Power Corporation (EEPCO) and the Ethiopian Telecommunications Corporation (ETC), have issued corporate bonds in recent years to finance infrastructure investments. In 2009, EEPCO issued a bond with a face value of ETB 1.6 billion.

### Intermediaries

Treasury bills are issued to investors who hold them to maturity. There are no intermediaries in the issuance process and the secondary market. Once the instruments are purchased from primary sources, Government and corporate bonds are kept until maturity. There are no brokers.

### Investors

The banking sector is comprised of 13 banks and dominated by the Commercial Bank of Ethiopia, the state-owned commercial bank. As of 31 March 2009, commercial banks

held ETB 1.7 billion (approx 20.7% of the outstanding volume) worth of T-bills. There are 12 insurance companies which together held ETB 86 million of T-bills. The Social Security Agency held ETB 2.9 billion and public enterprises held ETB 3.2 billion in T-bills.

The dominance of banks in T-bill auctions appears to be diminishing due to enhanced participation of non-bank institutions in the T-bills market. As of 31 March 2009, non-bank investors held ETB 6.4 billion in Treasury bills, which was 79.3% of the outstanding volume, up from 33.1% a year before.

The National Bank of Ethiopia is a significant investor in Government securities. The amount of bonds held by the NBE amounted to ETB 9.2 billion as of 31 March 2009.

Foreign investor participation is constrained by existing laws which do not allow foreign investors to invest in Government securities.

Retail investors apply directly to the NBE for investment in Government securities and hold individual accounts on the central depository. The minimum bidding amount for TBs is ETB 50,000 (approximately USD 4,000).

## ► Foreign Exchange Market

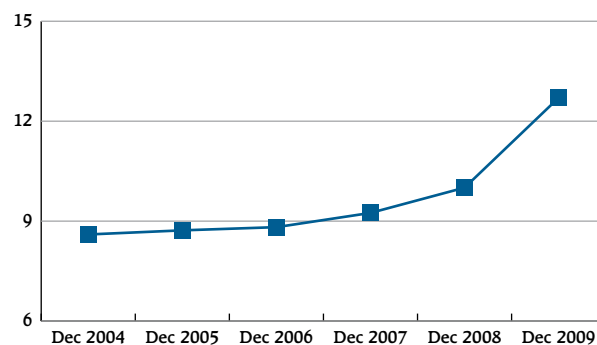
The Ethiopian Birr (ETB) is a managed floating currency. Before May 1993, the Birr was pegged to the US Dollar and from May 1993 to July 1995 there was a dual exchange rate system, the official and auction rates. The rates have now been unified and a marginal rate (official rate) is determined through weekly auctions. All transactions in foreign exchange must be carried out through authorized dealers under license from the National Bank of Ethiopia.

All payments abroad require licenses issued by the Controller of Exchange. Furthermore, exports are licensed by the Controller to ensure the surrender of foreign exchange proceeds, and shipments require permits issued by the same office. Foreign exchange payments, transfers and accounts must adhere to capital account restrictions that are in place.

The interbank foreign exchange market is rather small, with the market being dominated by the state-owned Commercial Bank of Ethiopia.

The graph below provides historical levels of the ETB against the USD.

**ETB per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

There are no interest rate or currency derivatives in Ethiopia.

## ► Regulation and Taxation

### Regulation

The National Bank of Ethiopia regulates the banking and non-bank sectors of the economy, including the insurance companies. All aspects of the capital markets are also under the supervision of the NBE.

### Taxation

Interest income on Government securities is exempt from tax.

## ► Clearing and Settlement

The National Bank of Ethiopia manages the clearing and settlement system. The infrastructure for electronic clearance and settlement is not well developed.

## ► Regulatory Contacts

### National Bank of Ethiopia

P. O. Box 5550

Tel: 251 11 551 7430

Fax: 251 11 551 4588

E-mail: [nbe.edpc@ethionet.et](mailto:nbe.edpc@ethionet.et)

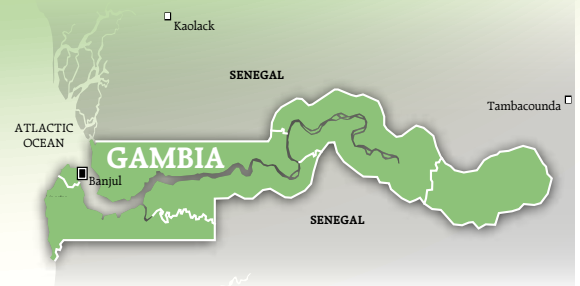
Website: [www.nbe.gov.et](http://www.nbe.gov.et)

# The Gambia



2009 at a glance	
Population (mn)	1.7
Population growth (annual %)	2.7
Official language	English
Currency	Dalasi (GMD)
GDP (Current US\$ bn)	0.6
GDP growth (annual %)	3.3
GDP per capita (Current US\$)	323.4
Total Debt (US\$ bn)	0.3
Total Debt/GDP (%)	57.4
CPI (annual %)	5.5
Exports of Goods and services (% of GDP)	49.1
Gross Official Reserves (in US\$ bn)	0.2
Gross Official Reserves (in months of imports)	6.4
GMD / 1 USD (Year end)	26.75

Source: AfDB, Bloomberg



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: AfDB, Bloomberg

## ► Summary

- » The Government securities yield curve has a longest maturity of 3 years.
- » Benchmark points and issues along the Government securities yield curve are 91-day, 182-day, 364-day and 3-years.
- » Sharia-compliant instruments, Sukuk-Al-Salam, are also issued as monetary policy instruments.
- » Gambian authorities completed the preparation of a medium-term debt strategy (MTDS) in September 2009.
- » Limited secondary market trading.



## ► Monetary Policy and Money Market

The Central Bank of Gambia (CBG) focuses on reserve money as the operational target to contain growth in broad money and inflation. Other important tools for monetary policy implementation are the rediscount rate and sales of T-bills.

Given the higher costs associated with issuance of T-bills for sterilization of donor-induced inflows under budget support, the current strategy is to prioritize foreign exchange sales as the monetary policy tool.

## ► Fixed Income Market

### Government Securities

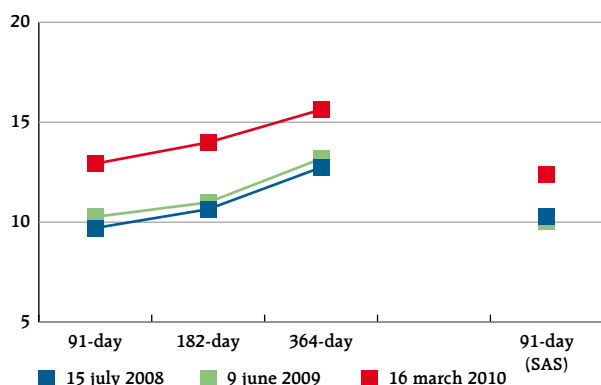
Gambia Treasury Bills are issued in tenors of 91 day, 182 day and 1 year. Access to T-bills is open to primary dealers only, except for subscriptions of GMD 5 million and over. Auctions are held weekly on a Wednesday and settlement is done on a T+3 cycle.

Government Sukuk-Al-Salam (SAS) is a Sharia-compliant Government security issued by the Central Bank on behalf of the Government. Two parties agree to trade a notional asset spot and at predetermined and prepaid prices. The Central Bank sells gold to issue SAS, which it buys back at a predetermined price in the future. Tenor is 91-day and the minimum amount for investment in SAS is GMD 25,000 and is in multiples of GMD 5,000.

The 3-year Gambia Government bond had its maiden issue on 24 February 2010. Access to T-bond auctions is open to all investors and settlement is done on a T+1 cycle. The prospectus indicates quarterly issuance; the minimum bid is initially GMD 5 million with multiples of GMD 50,000 thereafter.

The graph below illustrates the Government securities yield curve. There was no available data for the 3 year bond.

**Government securities yield curve as at March 16, 2010**



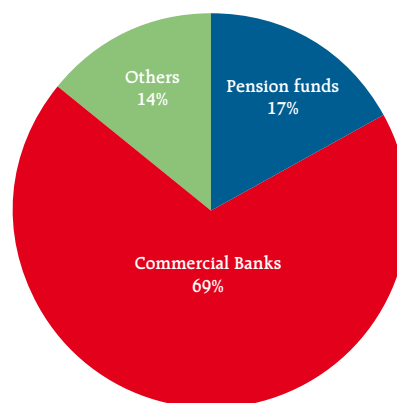
Source: Central Bank of The Gambia

### Investors

The banking sector has benefited from recent regional expansion by banks from West and Central Africa. This has led to an increase in the number of banks in Gambia from 8 in 2007 to 12 at the end of March 2009, comprising 1 Islamic bank and 11 conventional commercial banks. Commercial banks are the main investors in Government securities as can be seen from the chart below.

The insurance sector has 11 insurance companies operating in the country, 8 of which offer only non-life products, while 3 offer both life and non-life products.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: Central Bank of The Gambia

### Primary Market

Treasury bills are primarily used to conduct open market operations. They are issued on a weekly basis, on a Wednesday, or as may be determined by the CBG, which publishes a tentative issuance calendar. Current initiatives under consideration are to adopt fortnightly auctions and cease weekly auctions.

Since 2002, a weekly auction of Treasury and Central Bank bills replaced the fortnightly auction system. The Central

Bank determines which bids to accept after closing time. Bills are sold through multiple price auctions and successful competitive bidders are awarded Treasury bills at yield that equals the price they submit, and those with non-competitive bids are awarded the securities at the weighted average clearing price.

## ► Foreign Exchange Market

The CBG implements a floating foreign exchange policy while limiting interventions to smooth market volatility. The foreign exchange market is an avenue for monetary policy intervention and requires that there are sufficient reserves to meet the import cover and sterilization. The comfortable level of international reserves, achieved largely by the SDR allocation, strengthens the CBG's position to be able to cushion the economy against external shocks.

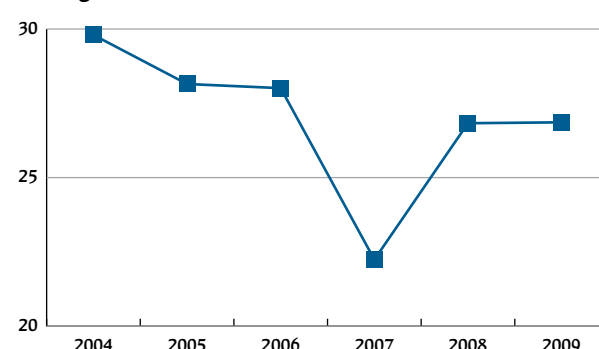
Residents and non-residents may hold foreign exchange accounts and repatriation of profits by non-residents and foreign-owned firms is permitted.

## Secondary Market

There are eleven approved primary dealers in Government bills auctions. Trading takes place over-the-counter and settlement is on a T+1 cycle. There is limited secondary market trading in Gambia Treasury bills.

The graph below provides historical levels of the GMD against the USD.

**Average GMD to the USD**



Source: Central Bank of The Gambia

## ► Regulation and Taxation

### Regulation

The CBG is the regulator of the banking and insurance sectors.

### Taxation

There are no withholding taxes for either residents or nonresidents. Treasury bills are not taxable; however, there is a 3% fee for rediscounting bills before maturity. Tax treaties exist with Norway, Sweden, Taiwan and the United Kingdom.

## ► Clearing and Settlement

Clearing and settlement for T-bills and T-bonds is at a T+1 cycle and investors hold individual accounts for securities holdings with the central registry at the Central Bank.

## ► Regulatory Contacts

### **The Central Bank of the Gambia**

No. 1/2 Ecowas Avenue, Banjul, The Gambia

Tel: +220-4-228103/227633

Fax: +220-4-226969

E-mail: [info@cbg.gm](mailto:info@cbg.gm)

Website: <http://www.cbg.gm>

# Ghana



## 2009 at a glance

Population (mn)	23.8
Population growth (annual %)	2.1
Official language	English
Currency	Cedi (GHS)
GDP (Current US\$ bn)	15.5
GDP growth (annual %)	4.5
GDP per capita (Current US\$)	649.9
Total Debt (US\$ bn)	7.3
Total Debt/GDP (%)	47.1
CPI (annual %)	15.1
Exports of Goods and services (% of GDP)	46.3
Gross Official Reserves (in US\$ bn)	2.6
Gross Official Reserves (in months of imports)	2.7
GHS / 1USD (Year end)	1.4317

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	B+	B+
Moody's	Not rated	Not rated
S & P	B+	B+

Source: Bloomberg

## ► Summary

- » Weekly auction of Government securities.
- » The Government securities curve has a longest maturity of 3 years.
- » Full automation of trading processes on the Ghana Stock Exchange (GSE) accompanied by a GSE Central Securities Depository (GCSD) to record all security holdings in electronic format.
- » Bloomberg and Reuters codes for market data:
  - BOGH
  - AFHO

## ► Monetary Policy and Money Market

The Bank of Ghana (BoG) has gone through several monetary management frameworks aimed at maintaining price stability in the Ghanaian economy. As part of the policy measures to improve monetary policy formulation further, a new BoG Act was enacted in 2002. This regulatory framework refocused the main objective of the Bank to its core function of promoting price stability and guaranteeing the operational independence of the Central Bank.

The Act also established a Monetary Policy Committee (MPC) to formulate monetary policy. The MPC was established in 2002 and meets bi-monthly to analyze a broad range of economic data on all sectors of the economy. This

subsequently informs the Committee's determination of the level of the key policy rate, the prime rate, which sets the stance of monetary policy. The MPC process gradually paved the way for the formal adoption of Ghana's Inflation Targeting (IT) monetary policy framework in May 2007.

The prime rate serves as the main rate at which the Central Bank transacts business with the commercial banks. As the main operational instrument, the prime rate also influences the short-term money market rates, the medium-term rates for open market operations, and the deposit money banks lending and deposit rates. At the operational level, the Repo rate is linked to the prime rate.

## ► Fixed Income Market

### Government Securities

Weekly auctions are held by the Wholesale Auction Committee (comprising the Bank of Ghana, the Ministry of Finance, the Controller and the Accountant General's Department) on Fridays for the sale of Government bills and bonds to primary dealers (PDs). Issuance of Treasury bills is via a multiple price auction, while Treasury notes are issued via a uniform price auction. The minimum bidding amount is approximately GHS 10,000 and bids are submitted on either a competitive or non-competitive basis. Approved bids are accepted and equivalent yield rates are paid for by PDs.

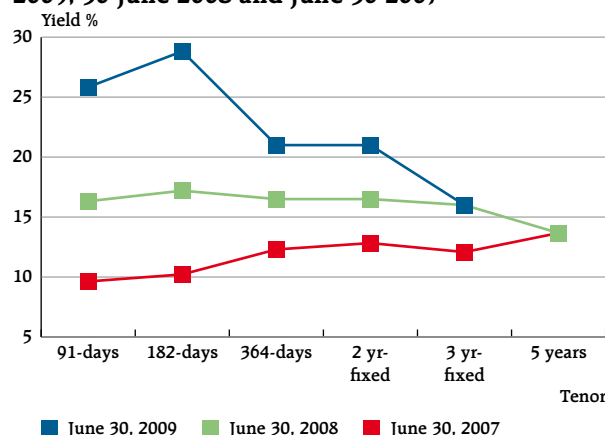
Treasury bills auctions are held weekly on Fridays by the Bank of Ghana. The tenors issued are 91-day, 182-day and 1-year Treasury note. Access to Treasury bills is open to the public through licensed primary dealers and settlements occurs at T+1.

Government bonds are issued for 2 and 3-year tenors, with both fixed and floating rate options. The 2-year floating rate note has an interest rate that is tied to the 91-day Treasury bill rates, while the 3-year floating rate has an interest rate spread over the 182-day T-bill rate. The 5-year bond was issued by the Government in early 2007, and is the Government security with the longest term. The graphs opposite illustrate the Government securities yield curve and the maturity profile of Government issuance.

Pre-auction information on the desired financing target, along with the desired split between short and medium-term instruments, is provided a week in advance.

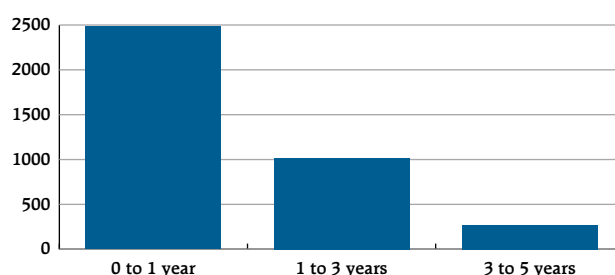
The Bank of Ghana (BoG) issues bills with maturities of 2 weeks, 1 month and 2 months intermittently for monetary policy purposes.

**Government securities yield curves as at 30 June 2009, 30 June 2008 and June 30 2007**



Source: Central Bank of Ghana

**Maturity profile of Government of Ghana securities as at June 30, 2009**



Source: Central Bank of Ghana

## Non-Government Securities

There are two listed corporate bonds on the Ghana Stock Exchange issued by two financial institutions, namely, HFCBank and Standard Chartered Bank (Gh.) Ltd.

## Intermediaries

The securities market in Ghana has licensed approximately 34 primary dealers, which includes banks and non-bank financial intermediaries such as discount houses and brokerage firms. Bids may be submitted either on a competitive or non-competitive basis through primary dealers only.

## Investors

The banking sector consists of 27 licensed banks. Commercial banks held 27.4% of outstanding Government securities as of 30 June 2009, as seen in the chart opposite.

The BoG holdings of Government securities was GHS 2.1 billion as of August 2009, which represented 39.9% of the total outstanding volume.

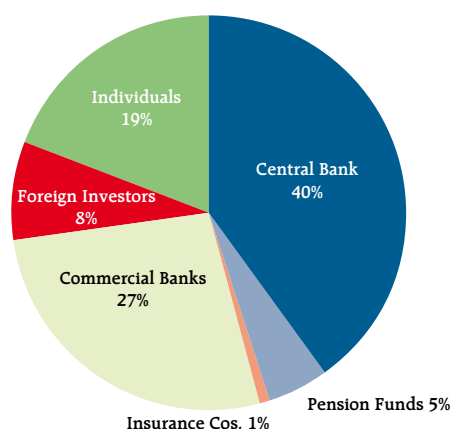
Holdings of Government securities by insurance companies amounted to GHS 48.5 million, while Social Security and National Insurance Trust (SSNIT) Pension Fund holdings were GHS 0.3 billion as of August 2009, representing 0.9% and 5.1% respectively of the total. The minimum capital requirement for an insurance company has been raised to the Ghana Cedi equivalent of USD 1 million.

The Government securities holdings by firms and institutions, including fund managers, was GHS 0.3 billion as of August 2009, representing 5.6% of the total.

In December 2006, the new Foreign Exchange Act 2006 came into effect, allowing foreign investors to bid for securities issued by the Government of Ghana. Non-residents are allowed to invest in the long-end of the domestic capital market, with tenor of three years and above. To facilitate this, non-residents are permitted to maintain foreign currency accounts with domestic banks, which can be credited with transfers in foreign currency from abroad or other foreign currency accounts. This development resulted in a strong foreign investor participation in the Government's 5-year bond issue in January 2007.

Retail investors are very active investors in Government securities and their holdings as of 30 June 2009 were 19%. The Central Depository Act 2007 requires all investors to hold individual accounts at the central depository. They may submit bids for Government securities through primary dealers or in the secondary market through brokers on exchange.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: Central Bank of Ghana

## Secondary Market

Secondary market trading of Government securities used to take place over-the-counter through a network of primary dealers. However, in response to the shortcomings of an illiquid bond market, the Government listed all outstanding 2 and 3-year bonds, both floating and fixed, on the stock exchange in 2006. The 5-year bond was also listed on the exchange in 2007 in a bid to enhance secondary trading activities to increase liquidity. The secondary aim of the Government was to provide benchmark securities for corporate issuers and deepen the bond market. The listing also provides enhanced access for investors to bid for securities, rather than submitting bids through licensed primary dealers.

## ► Foreign Exchange Market

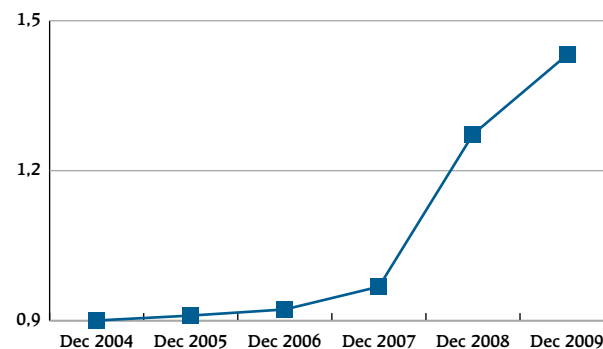
The enactment of the Foreign Exchange Act 2006, paved the way for partial liberalization of the capital account. Ghana operates a flexible exchange rate regime, with occasional Central Bank intervention in the event of excessive short-term volatility.

The exchange rate is determined through the interbank foreign exchange market on the basis of average rates as reported by authorized dealers and foreign exchange bureaus on a daily basis. The Central Bank occasionally participates in the interbank market to smooth foreign exchange liquidity conditions.

The 1994 Investment Code guarantees the free transferability of dividends, loan repayments, licensing fees and capital. Residents and non-residents may hold foreign exchange accounts in Ghana.

The graph below provides historical levels of the GHS against the USD.

**GHS per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

Ghana does not have an interest rate or currency derivatives market. In the medium to long term, enhanced

liquidity in the foreign exchange market may lead to the development of foreign exchange derivative instruments.

## ► Regulation and Taxation

### Regulation

The Legal Framework underpinning operations of the capital market is embodied in the Securities Industries Law and the Securities Amendment Act. These laws authorize the Securities and Exchange Commission (SEC) as the apex supervisory and regulatory body of securities market operations in Ghana.

The Bank of Ghana has overall supervisory and regulatory authority in all matters relating to banking and non-bank financial business with the purpose of achieving a sound and efficient banking system in the interest of depositors and the economy as a whole.

The pension sector has undergone significant reforms that will be fully implemented in 2010. The supportive legal framework i.e. the National Pensions Act, 2008 will establish an independent National Pension Regulatory Authority (NPRA) to regulate, supervise and monitor both private and public pension schemes in the country.

Established by the Insurance Act, 2006, the National Insurance Commission (NIC) provides oversight respon-

sibilities for the insurance sector. The regulators' overall objective is to ensure effective administration, supervision, regulation, monitoring and control of the business of insurance, to protect insurance policyholders and the insurance industry.

Custodians are appointed to hold the certificate of title to any security issued in Ghana. They are licensed and regulated by the Securities and Exchange Commission (SEC). Currently, there are four licensed custodians.

### Taxation

A withholding tax rate of 10% is applicable to interest income for resident corporations. A temporary exemption on capital gains on securities listed on the Ghana Stock Exchange is also in force and expected to last until 2010. Ghana has double tax treaties with the United Kingdom, France, South Africa and Italy. Interest paid to a non-resident investor in bonds issued by the Government of Ghana is exempt from tax. Capital gains made on disposal of listed securities are tax exempt until November 2010.

## ► Clearing and Settlement

The Bank of Ghana has established an efficient and safe payment and settlement system. A modern payments and settlement infrastructure that includes a Real Time Gross Settlement System (RTGS), a Central Securities Depository (CSD), as well as a Cheque Codeline Clearing with Cheque Truncation System was developed to enable secure and instantaneous settlement of payment orders, clearing and settlements of equity and debt instruments, and to record holdings of all securities (Government securities, equities and corporate bonds etc.) in electronic form.

The establishment of a National Switch (e-zwich) in 2008 provided a common platform for all payment transactions conducted by both the “banked” and “unbanked” segments of the population, thereby further enhancing Ghana’s payments systems.

The GSE Securities Depository Company Ltd (GSD) provides the platform to facilitate electronic clearing, settlement and electronic book-entry of ownership of individual securities, enhancing the transfer of traded securities and enabling easy accessibility of securities information by type, tenor, holder and currency categorization in a more efficient manner.

The implementation of a real time gross settlement system, the Ghana Inter-bank Settlement system, has provided a platform for prompt settlement of Government securities transactions generated by the Central Securities Depository (CSD). Settlement of Government securities is at T+1 and through Central Bank clearing. Custodial accounts are held on an individual basis.

## ► Regulatory Contacts

### Bank of Ghana

P. O. Box GP 2674, Accra – Ghana  
One Thorpe Road, High Street, Accra – Ghana  
Tel: +233-21-666174-6/666361-5/666902-8/666921-5  
Fax: +233-21-662996  
E-mail: [bogsecretary@bog.gov.gh](mailto:bogsecretary@bog.gov.gh)  
Website: [www.bog.gov.gh](http://www.bog.gov.gh)

### Securities and Exchange Commission

P. O. Box CT 6186, Cantonments, Accra – Ghana,  
No. 30, 3rd Circular Road, Cantonments, Accra – Ghana,  
Tel: +233-21-768970-2  
Fax: +233-21-768984  
Website: [www.secghana.org](http://www.secghana.org)

### Ghana Stock Exchange

P. O. Box 1849, Accra – Ghana  
4th Floor, Cedi House, Accra – Ghana  
Tel: +233-21-669908/14/35, 664715  
Fax: +233-21-669913  
Website: [www.gse.com.gh](http://www.gse.com.gh)

### Ghana National Insurance Commission

P. O. Box CT 3456, Accra—Ghana  
Insurance Place, Independence Avenue, Accra – Ghana  
Tel: +233-21-238300-1  
Fax: +233-21-237248  
Email: [admin@nicgh.org](mailto:admin@nicgh.org)  
Website: [www.nicgh.org](http://www.nicgh.org)



# Guinea



## 2009 at a glance

Population (in millions)	10.0
Population growth	2.4
Official language	French
Currency	Guinean Franc (GNF)
GDP (Current US\$ bn)	4.5
GDP growth (annual %)	0.7
GDP per capita (USD)	448.7
External Debt (US\$ in bn)	2.9
External Debt/GDP (%)	63.6
CPI annual %	12.3
Exports of Goods and services (% of GDP)	21.1
Gross Official Reserves (in US\$ bn)	0.2
Gross Official Reserves (in months of imports)	1.2
GNF / 1USD (Year end)	4,997

Source: AfDB, Bloomberg, BCRG

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » The Government securities yield curve extends to 182 days.
- » Investor base; dominated by commercial banks.
- » Weekly Auctions of Treasury bills.
- » No secondary market activities.
- » Reform of the Central Bank aimed at achieving more autonomy in the designing and implementation of monetary policy.
- » Modernization of payment systems in 2009 is aimed at fostering financial sector development.

## ► Monetary Policy and Money Market

### Monetary Policy

Established in 1960, the Banque Centrale de la République de Guinée (BCRG) formulates and implements monetary policy through open market and Repo operations. BCRG's main instruments are the "Titres de Regulation Monétaire" (TRM), T-bills and minimum reserve requirements for banks.

Following policy reforms implemented in 2009, which strengthened the autonomy of the BCRG, inflation targeting is now the main policy objective. The BCRG uses the monetary base as an operating target.

Advances to Treasury are strictly limited to the statutory threshold of 5% of the average tax revenue for the last three years.

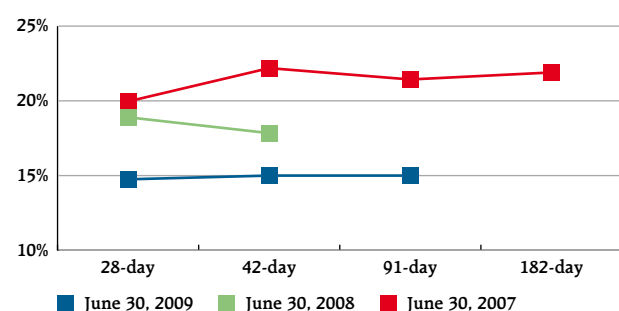
## ► Fixed Income Market

### Government Securities

Ordinarily, the fixed income market comprises mainly Treasury bills ("Bons du Trésor" – BTB), with maturities ranging from 14 to 182 days. They are issued by the National Treasury on a weekly basis with tenors of 14, 28, 42, 91 and 182 days.

The graph below shows the fluctuation in the Guinean Government yields curves over the last three years. A pronounced drop in yields is visible across all maturities in June 2009.

**Government securities yield curve as at 30 June 2009, 2008 and 2007**



Source : Banque Centrale de la République de Guinée (BCRG)

### Non-Government Securities

There is no corporate debt securities market in Guinea; commercial banks and insurance companies remain the main source of financing for private entities.

### Money Market

The main instruments in the Guinean money market are Treasury bills (T-bills) and the "Titres de Regulation Monétaire" (TRM). However, due to the low level of inflation recorded during the first four months of 2009 (2.2% on average compared to the single digit inflation target of end of year), this reduced the necessity to mop up liquidity. T-bills and TRMs issues were suspended in May and June 2009, respectively. As a result, the only market activity at present is the redemption of existing debt.

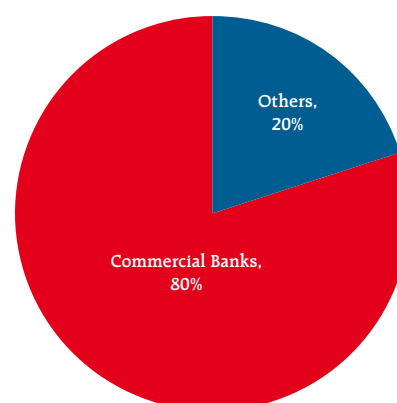
### Investors

Nine commercial banks and four insurance companies are the main primary dealers of T-Bills and TRM. As of June 2009, commercial banks held more than 80% of the outstanding securities, as seen in the chart below.

### Secondary Market

There is no active secondary market. The outstanding BTB was GNF 310 billion, GNF 371.8 billion and GNF 830 billion in December 2006, 2007 and 2008 respectively. At the end of June 2009, the outstanding debt was GNF 693 billion with maturities ranging from 42 days to 182 days.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source : BCRG information note, June 2009

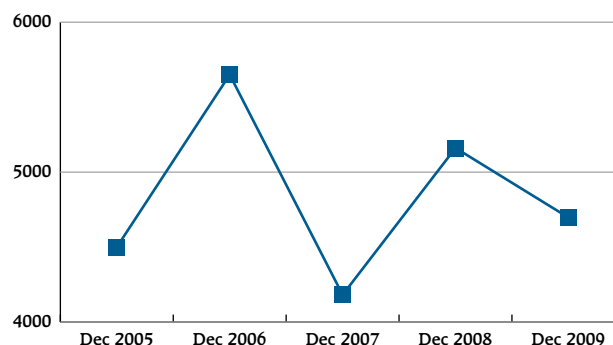
## ► Foreign Exchange Market

The Guinean Franc (GNF) is a free-floating currency. The exchange rate is determined by the FX interbank market. The GNF was stable at around GNF 1910 to the dollar until early 2004, after which it depreciated to GNF 4500 to the dollar by the end of December 2005 and to GNF 4697 as of June 2009.

After the foreign exchange policy reforms implemented in 2009, the new exchange rate policy aims to gradually rebuild reserves to meet at least three months of imports coverage. Subject to a valid Certificate of Capital Importation (CCI), interest and capital gains realized by foreign investors can be fully repatriated.

The graph below provides historical levels of the GNF against the USD.

**GNF per Unit of USD (Year End)**



Source: BCRG annual report 2008 & June 2009 information note

## ► Derivatives Market

There is no derivatives market in Guinea.

## ► Regulation and Taxation

### Regulation

The Central Bank supervises the financial sector which comprises 13 commercial banks, 9 microfinance institutions, and 5 insurance companies.

### Taxation

Foreign and local investors are treated equally in accordance with the tax laws in effect. There is no difference in tax rates applied to securities investments by local or foreign investors.

## ► Clearing and Settlement

The Central Bank is the clearing and settlement house, as well as the central depository for securities.

## ► Regulatory Contacts

### Banque Centrale de la Republique de Guinée

B.P 692, Conakry, Guinée Boulevard du Commerce,  
Commune de Kaloum, Conakry, Guinea

Tel: +224-30412651

Fax: +224-30414898

Website: <http://www.bcr-guinee.org>

# Kenya



2009 at a glance	
Population (mn)	39.8
Population growth (annual %)	2.6
Official language	English/Kiswahili
Currency	Kenya Shilling (KES)
GDP (Current US\$ bn)	41.8
GDP growth (annual %)	2.9
GDP per capita (Current US\$)	1,051.7
Total Debt (US\$ bn)	7.3
Total Debt/GDP (%)	17.5
CPI (annual %)	17.8
Exports of Goods and services (% of GDP)	21.3
Gross Official Reserves (in US\$ bn)	2.9
Gross Official Reserves (in months of imports)	3.2
KES / 1 USD (Year End0	75.8

Source: AfDB, CBR



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Fitch	BB-	B+
Moody's	Not rated	Not rated
S & P	B	B

Source: Bloomberg

## ► Summary

- » The Government securities yield curve extends to 20 years with six benchmark points developing along the curve.
- » Growing diversified investor base with increased presence of fund managers and foreign investors.
- » Strategic target of keeping Treasury bonds to 70% of domestic debt versus 30% for Treasury Bills.
- » Settlement cycle is T+1 for the primary market and T+3 for the secondary market.
- » Bloomberg and Reuters codes for market data:
  - KENGB Kenya Government bonds
  - KENTB Kenya Treasury bills
  - KE3MTB= Treasury bill yields
  - 0#KETSYSYSTR= Kenya Bond pricing
  - KES= KES1= Shilling spot rates
  - KESF= <0#KESF=> Shilling forward rates

## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of Kenya (CBK) follows a monetary aggregates targeting framework, namely reserve money targeting. The instruments used to achieve periodic targets are open market operations through vertical Repos/Reverse Repos. The Central Bank Rate (CBR) was introduced to signal the monetary policy stance. An East African regional seminar held in Nairobi in March 2009 recommended the introduction of a Modified Reserve Money Target framework as a step towards inflation targeting, but no formal commitment has been announced. The Monetary Policy Committee reviews monetary policy decisions

bi-monthly, unless there is an extraordinary event that requires earlier intervention.

### Money Market

The most frequently used money market benchmark is the 91-day (3-month) Treasury bill. The 44 member interbank money market activity is concentrated at the short end, mainly the overnight market, which sees an average volume of USD 185 million daily. There are 30 unit trusts operated by commercial banks, insurance companies, investment banks and Fund Managers offering Kenya Shilling Money Market Funds.

## ► Fixed Income Market

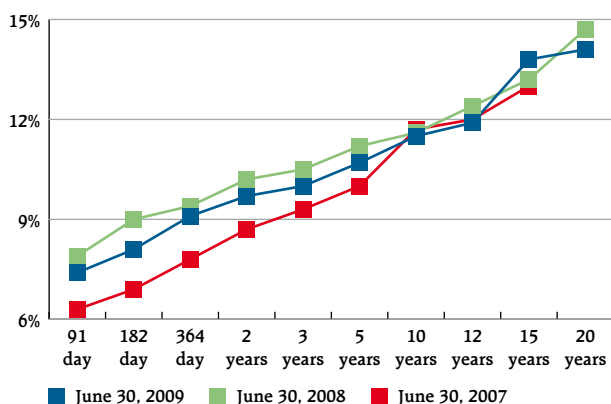
### Government Securities

Treasury bills are issued by the Central Bank of Kenya on behalf of the Government with tenors of 91, 182 and 364 days. The 91-day and 182-day bills are issued weekly in alternate weeks, while the 364-day bills are issued twice a month. The auctions are Dutch multiple price auctions.

Treasury bonds are issued in tenors of 1, 2, 5, 10, 15 and 20 years. Multiple price auctions are held once a month to roll over debt, and finance fiscal budget and infrastructure projects.

The graph below illustrates the Government securities yield curve at specific dates.

**Government securities yield curve as at 30 June 2007, 2008 and 2009**



Source: Central Bank of Kenya

### Non-Government Securities

The commercial paper market has been dormant for the last three years due to direct funding and syndication by the commercial banks to prospective short-term corporate issuers. The corporate bonds market is developing with new issuers continuously coming to market. As at end 2009, the market had 17 issues by 11 issuers with a total face value of KES 45 billion. The dominant issuing sector is the banking sector with 6 issues, while the largest issue is Kengen PIBO which has a face value of KES 25 billion. Of the 17 issues, 9 were floating rate with a total face value of KES 6.6 billion, while 8 issues with a face value of KES 38.3 billion were fixed rate. The pricing of the floating issues is based on the 91-day or 182-day Treasury bill. There is one issue by a parastatal (quasi Government agency) valued at KES 25 billion. There are no municipal bonds outstanding as of year end 2009.

### Intermediaries

Current rules require that all bonds are traded on the Nairobi Stock Exchange. The market does not cater for over-the-counter trading and therefore brokers must be engaged to finalize any transaction. So far, there are no distinct market makers or primary dealers. However, plans are underway to develop a model that includes market makers. The Nairobi Stock Exchange has also approved plans to introduce the Authorized Fixed Income Securities Dealers, to trade fixed income instruments.

### Investors

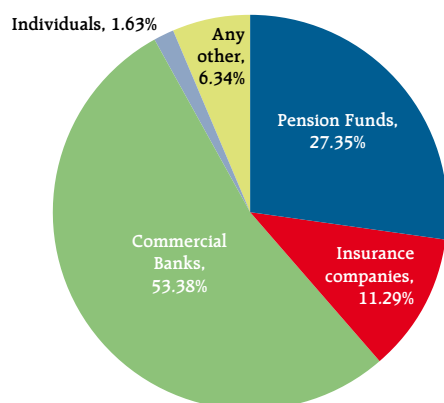
All 44 commercial banks and 2 mortgage companies participate in both the Government and corporate debt market. Locally-owned banks number 33, while 13 are foreign-owned.

As of 30 November 2009, banks held 53% of the KES 520.8 billion outstanding securities.

The Pension sector in Kenya has experienced significant growth following the enactment of the Retirement Benefits Act establishing the Retirement Benefits Authority. Pension funds have become more dominant as inflows and asset sizes have grown. This KES 270 billion sector held about 28% of outstanding Government securities as at end June 2009.

Other investor categories are less dominant, with the 42 member Insurance sector holding 11.3% of all outstanding Government securities. Retail investors access the markets, both Government and corporate, directly and through mutual funds. Minimum entry amounts allow retail investors to easily participate. Direct retail investors account for approximately 1.7% of outstanding Government securities. Foreign investor holdings are not easily quantified since they invest indirectly through the banking sector and fund managers.

#### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Central Bank of Kenya

#### Primary Market

The primary market for Government securities is open to all investors with accounts at the CBK Central Securities Depository (CSD). Treasury bill auctions are held every

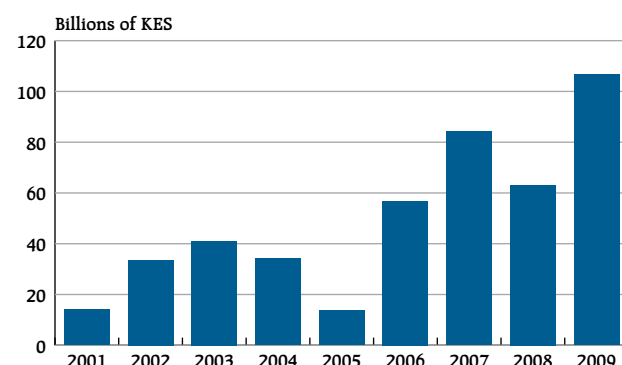
Thursday, with the result announced the same day. The amount to be offered at the next auction is also announced alongside the results as well as any upcoming redemption. Minimum face value is KES 100,000 with any additional amounts in multiples of KES 50,000. An Auction Management Committee (AMC) meets every Thursday at 16.00 hours to conduct the auction and determine successful bidders. After considering all received bids, both competitive and non-competitive, the AMC arrives at a cut-off rate based on amounts advertised. The successful weighted average rate derived from competitive bids is applied to all non-competitive bids and is published with the rest of the results in daily newspapers and on the CBK website.

#### Secondary Market

Current trading rules require trading orders for listed securities to be placed by stockbrokers duly licensed by the Capital Markets Authority. The NSE has introduced an ATS that is linked to the CSD at the Central Bank of Kenya. All trades have to be transacted through the ATS. Trading numbers and volumes increased tremendously during 2009, with over 1900 trades worth KES 107 billion transacted during the year. Trades have been done across the whole Government securities yield curve.

Quoted spreads for the bills and bonds are typically 50 basis points. Pre-trade price discovery is through contacting counterparties in the market, while post-trade price discovery is from NSE reports. The day-count convention for bonds is actual/364 and actual/365 for bills.

#### Trend in secondary market trading



Source: Nairobi Stock Exchange

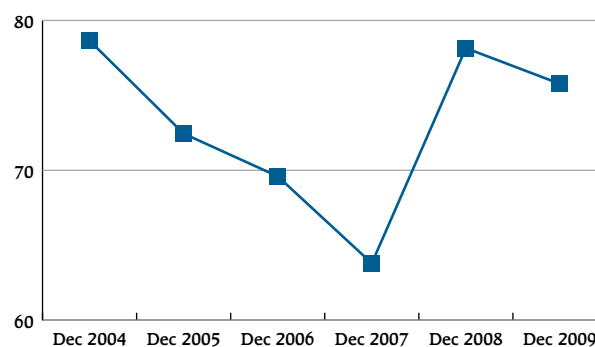
## ► Foreign Exchange Market

The Kenyan Shilling (KES) is a free-floating currency that is fully liberalized and convertible. There are no restrictions on transactions relating to the current and capital accounts and no foreign exchange controls. Residents and non-residents may hold foreign exchange accounts.

The daily average inflows and outflows in foreign exchange transactions approximate USD 0.9 billion. However, on average, the minimum transaction amount in the interbank FX market is USD 0.25 million and the average transaction size is USD 0.5 million.

The graph below provides historical levels of the KES against the USD.

**KES per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

The market has had a limited number of interest rate swaps, cross currency swaps and currency forwards. Swaps on FX are often used in the interbank market for overnight borrowing for liquidity management. Interest rates swaps are mainly among banks and are not very

regular; consequently there is limited data available. Tenors have typically not exceeded 6 months for interest rate swaps. Cross currency swaps can be structured for longer period of up to 5 years.

## ► Regulation and Taxation

### Regulation

The CBK, Capital Markets Authority, NSE and the Central Depository and Settlement Corporation Acts play a role in both the issuance and the regulatory framework for Government securities.

The banks are regulated by the CBK, while the Retirement Benefits Authority regulates the pension sector. The Insurance Regulatory Authority regulates the Insurance sector.

### Taxation

Capital gains do not attract any taxation. Interest income attracts tax on non-infrastructure/asset-backed securities

issued by the Government or parastatals. All conventional Treasury bonds, Treasury bills and corporate bonds attract withholding tax at source (primary market), except those investors who have tax-exempt certificates from the Kenya Revenue Authority. However, bonds with maturities of 10 years and above attract 10% withholding tax and those below attract 15% withholding tax. There is no difference in tax treatment between resident and non-resident investors in Government and corporate bonds.

## ► Clearing and Settlement

The settlement cycle for the primary Government bond market is T+1, while for the secondary market the settlement cycle is up to T+3. Cash settlement of all trades through the ATS takes place through the Kenya Electronic Payment and Settlement System (KEPSS) also known as Real Time Gross Settlement (RTGS), domiciled at the Central Bank of Kenya. All securitized debt is dematerialized and DVP is fully automated. Securities are identified with both ISIN Codes and CBK issue numbers.

As paperless securities with no physical certificates-investors receive statements showing their holdings as registered on the Central Depository Securities (CDS) Registry at the Monetary Operations & Debt Management Department of the Central Bank. Physical CDS account statements are sent to investors on a quarterly basis and also on request, provided the accounts show outstanding securities.



Prospective investors who wish to trade in any Kenya Government securities are required to open a CDS account with the Central Bank of Kenya. The CDS account acts as the investor's securities holding and trading account. Investors may choose to open CDS accounts directly with the Central Bank or open a client account through authorized agents that include commercial banks, investment banks, stock brokers and investment advisors. No fee is charged for opening and maintaining a CDS account that is opened directly at the central bank.

CDS accounts may be opened in the names of individual investors or corporate entities and individual investors may open CDS accounts either singly or jointly. Corporate CDS account holders include companies, co-operatives,

insurance companies, banks, non-bank financial institutions, NGOs and entities established by statute, which are mainly State Corporations.

The CBK plays a custodial function for Government Securities. However, investments made through commercial banks, investment banks, and unit trusts as nominees do not have accounts/record with CBK. Corporate bonds have different custodians, for example the KenGen bond has the Central Depository and Settlement Corporation (CDSC) Limited as its custodian. Issuers may appoint any independent custodian and registrar licensed by the Capital Markets Authority.

## ► Recent Developments

Event	Date
Automation of trading and settlement of both Government and corporate bonds in the secondary market. All GoK securities are traded at NSE, but settlement of cash and securities done at CBK on DvP basis	December 2009
Reporting of cut-off rate in auctions and reduced waiting time for trading newly issued securities from T+3 to T+1,	October 2009
Introduction of Horizontal Repos backed by GoK securities	September 2009
Introduction of 364-day Treasury bill and secondary trading of Treasury bills (364 days) on OTC	August 2009
Split between 91 days and 182 days offer for auctions issuance frequency	July 2009
Change in withholding tax from 15% to 10% on bonds with maturities of more than 10 years	June 2009
Issuance of 15-20 year bonds to lengthen yield curve	June 2009
Reopening of benchmark bonds	April 2009
Infrastructure/Project-specific bonds issuance	February 2009
Reduction of minimum threshold to invest in Treasury bills from Ksh 1,000,000 to Ksh 100,000	January 2009
Introduction of standard market yield curve based on clean price	March 2008

## ► Regulatory Contacts

### Capital Markets Authority

Re-Insurance Plaza, 5th Floor, Taifa Road, P.O. Box 74800-00200, City Square, Nairobi, Kenya  
 Tel: +254-20-226225/221910, Fax: +254-20-228254  
 E-mail: corporate@cma.or.ke  
 Website: www.cma.or.ke

### Central Bank of Kenya

Haile Selassie Avenue, P.O. Box 60000-0200, Nairobi, Kenya  
 Tel: +254-20-2861000/2860000  
 Fax: +254-20-340192  
 E-mail: info@centralbank.go.ke  
 Website: www.centralbank.go.ke



**Nairobi Stock Exchange**

1st Floor, Nation Centre Kimathi Street, P.O. Box 43633-00100, Nairobi, Kenya Tel: +254-20-230692  
Fax: +254-20-224200  
E-mail: cmwebesa@nse.co.ke  
Website: www.nse.co.ke

**Kenya Association of Stockbrokers and Investment Bankers (KASIB)**

P.O. BOX 43593-00100 Nairobi, Kenya

**Central Depository for Settlement Corporation (CDSC)**

National Center, 10th Floor, Kimathi Street  
P.O. BOX 3464-00100 GPO Nairobi  
TEL: +254 (20) 2229406 – 08, 2229421/26

**Fund Managers Association (FMA)**

P.O. Box 46143 00100 Nairobi,  
ICEA Building, Kenyatta Avenue, Nairobi

**Retirement Benefits Authority (RBA)**

Retirement Benefit Authority,  
Rahimtullah Tower, Upper Hill, 13th Floor, P O Box 57733  
– 00200 Nairobi

**Insurance Regulatory Authority (IRA)**

Insurance Regulatory Authority,  
Zep Re Place, off Mara road, Upper Hill, P O Box 43505 –  
00100 Nairobi

# Lesotho



## 2009 at a glance

Population (mn)	2.1
Population growth (annual %)	0.9
Official language	English/Sesotho
Currency	Loti (LSL)
GDP (Current US\$ bn)	1.4
GDP growth (annual %)	1.1
GDP per capita (Current US\$)	659.9
Total Debt (US\$ bn)	0.6
Total Debt/GDP (%)	47.1
CPI (annual %)	6.1
Exports of Goods and services (% of GDP)	59.7
Gross Official Reserves (in US\$ bn)	N/A
Gross Official Reserves (in months of imports)	N/A
LSL / 1 USD (Year end)	7.3980

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	BB	BB-
Moody's	Not rated	Not rated
S & P	Not rated	Not rated

## ► Summary

- » Lesotho is a member of the Common Monetary Area (CMA) that comprises South Africa, Namibia and Swaziland. Accordingly, its financial system is strongly integrated with the South African financial markets.
- » The fixed income market is composed solely of Government securities.
- » The investor base is composed almost exclusively of commercial banks.
- » There is no benchmark yield curve.
- » The Bank of Lesotho has implemented a number of measures aimed at improving the money market in 2008.
- » Reuters codes for market data: LSTB01 and LSTB02.

## ► Monetary Policy and Money Market

The Central Bank of Lesotho has the authority to define monetary policy. Nonetheless, in line with the existing fixed currency peg, the Treasury bill rates are closely aligned with South African rates.

Lesotho uses the Lombard facility (the policy rate) which is a punitive overnight facility (the Treasury bill rate plus a margin) at the Central Bank to meet commercial banks' short-term liquidity needs. The Lombard rate is linked to

the Treasury bill rate (the 91-day TB discount rate plus 400 basis points).

Until recently, the Bank of Lesotho had two Treasury bills of 91 and 182 days. In 2008, two longer-dated bills were introduced, with 273 and 364 days maturities.

## ► Fixed Income Market

### Government Securities

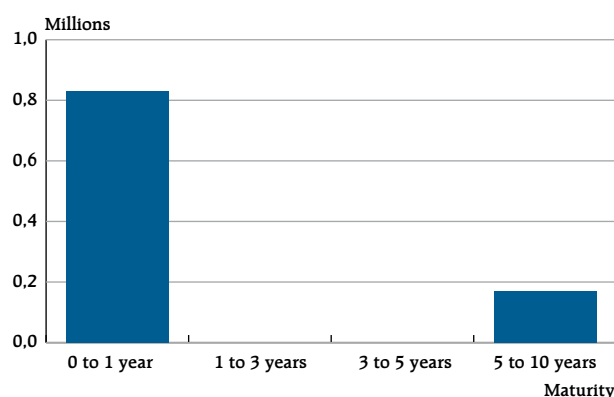
The Lesotho fixed income market is currently comprised of Government Treasury bills with a maturity period not exceeding one year. These include 91-, 182-, 273 and 364-day Treasury bills and are currently issued purely for monetary policy purposes.

The sale of the Treasury bills is done via competitive and non-competitive bids of LSL 250,000 and LSL 5,000 respectively. The Central Bank of Lesotho employs the Dutch auction system for the sale of bills, which takes place on a fortnightly basis.

The Government has issued 5 and 10-year bonds in the past, with the last issue dating back to 1999. The 5-year bonds redeemed in 2004, while the 10-year instrument matured in 2009. These bonds were primarily issued to facilitate the liquidation of state-owned banks in Lesotho.

Arrangements are currently underway to establish a bond market and a stock exchange.

### Maturity profile of Government of Lesotho securities as at June 30, 2009 (in Loti)

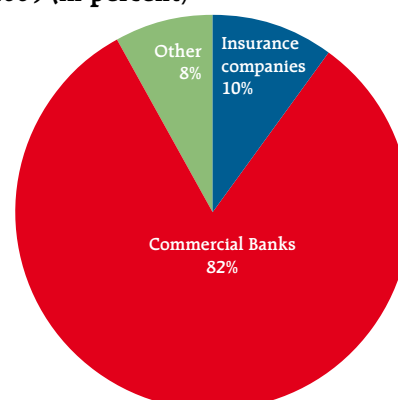


Source: Central Bank of Lesotho

### Investors

Commercial banks are the main buyers of Government bills in the competitive market.<sup>1</sup> There are four major players in the commercial banking arena: Standard Lesotho Bank Limited, Ned Bank Limited and First National Bank, which are all South African owned. There is also a state-owned Lesotho Post Bank. Non-competitive bids are aimed primarily at individual investors.

### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Central Bank of Lesotho

<sup>1</sup> Central Bank of Lesotho Implements Strategies Aimed at Strengthening Money Market in Lesotho: Implications for Economic Growth, August 2008

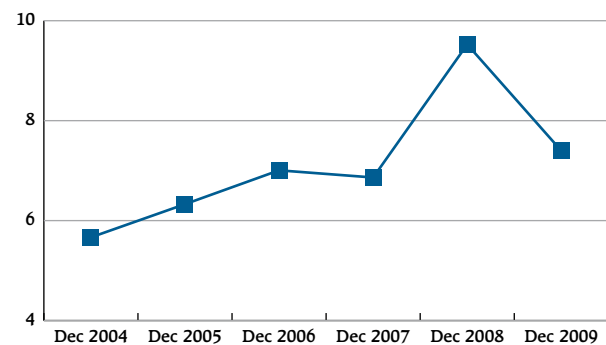
## ► Foreign Exchange Market

The Central Bank is responsible for executing the foreign exchange policy in line with the CMA's foreign exchange policy. Under the CMA agreement, Lesotho enjoys free access to the South African foreign exchange market.

All CMA member countries apply the same exchange control regulations: non-resident capital flows are generally unrestricted; capital, profits and dividends can be repatriated; and exchange control limitations apply to resident capital flows.

The opposite graph provides historical levels of the LSL against the USD.

LSL per Unit of USD (Year End)



Source: Bloomberg

## ► Regulation and Taxation

### Regulation

The Central Bank of Lesotho regulates all financial institutions with the goal of preserving the financial strength and stability of the national banking system. It conducts onsite examinations and offsite surveillance to ensure adherence to prudential requirements and the proper functioning of the banking system.

The Central Bank undertook a review of the Financial Institutions Act in 2008 to align the Act with the cur-

rent developments in the financial sector, as well as best internationally practice and standards.

### Taxation

Tax is withheld at source at a rate of 10% on interest paid in excess of the exempt amounts. Withholding tax rates applicable to residents and non-residents are 10% and 15%, respectively.

## ► Clearing and Settlement

The settlement of securities is processed through the Real Time Gross Settlement System (RTGS). This procedure is done on a same-day basis.

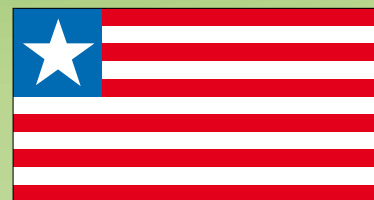
In an RTGS system, transactions are settled across accounts held at the Central Bank on a continuous gross basis. Settlement is immediate, final and irrevocable significantly reducing credit risk across the market.

## ► Regulatory Contacts

### Central Bank of Lesotho

P.O. Box 1184,  
MASERU 100, Kingdom of Lesotho Corner Airport and  
Moshoeshoe Roads, Maseru Central, Lesotho  
Tel: +266)-22314281/22324281  
Fax: +266-22310051/22310679  
E-mail: [cbl@centralbank.org.ls](mailto:cbl@centralbank.org.ls)  
Website: [www.centralbank.org.ls](http://www.centralbank.org.ls)

# Liberia



## 2009 at a glance

Population (mn)	3.9
Population growth (annual %)	4.2
Official language	English
Currency	Liberian Dollar (LRD)
GDP (Current US\$ bn)	1.3
GDP growth (annual %)	4.2
GDP per capita (Current US\$)	318.1
Total Debt (US\$ bn)	2.5
Total Debt/GDP (%)	200.1
CPI (annual %)	7.1
Exports of Goods and services (% of GDP)	35.7
Gross Official Reserves (in US\$ bn)	0.2
Gross Official Reserves (in months of imports)	1.0
LRD / 1 USD (Year End)	69.50

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

## ► Summary

- » Following years of civil conflict, Liberia's economy and financial sector have been developing gradually.
- » Liberia has not begun issuing Government securities, but is in the process of setting up a short-term Treasury bills market.

## ► Monetary Policy and Money Market

The Central Bank of Liberia regulates the financial market. The banking sector has excess liquidity and the goal of monetary policy is to maintain relative price stability by

influencing the money supply and ensuring exchange rate stability. The operating instrument for monetary policy is the exchange rate the purchase and sale of USD.

## ► Fixed Income Market

### Government Securities

There is no Treasury-bill market at present or any issuance of Government bonds. The Government is developing the infrastructure for Treasury bills.

### Banking System

The banking sector is comprised of eight banks. The absence of Government securities has created a shortage of investible assets and has resulted in high liquidity levels in the banking system.

## ► Foreign Exchange Market

The Liberian dollar (LRD) is a free-floating currency. However, the US dollar is also legal tender in Liberia and is used alongside the LRD. The Liberian dollar is held for small purchases, especially in the rural areas, and is used by the Government for payment of civil servants' salaries, the US dollar is the medium of exchange in trade and financial transactions.

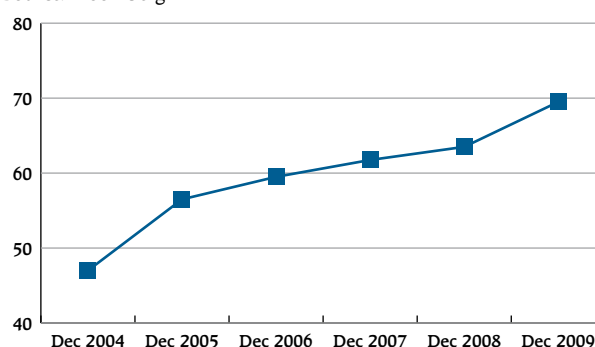
The current and capital accounts are fully liberalized and there are no restrictions on investment returns repatriation. Any investment proceeds are freely convertible and transferable in and out of the country.

The Central Bank of Liberia intervenes in the foreign exchange market from time to time as this is the most dominant monetary policy tool.

The graph below provides historical levels of the LRD against the USD.

### LRD per Unit of USD (Year End)

Source: Bloomberg



## ► Regulation and Taxation

The Central Bank of Liberia is the regulator of the banking sector as well as the capital markets. The national pen-

sion scheme is regulated by the Ministry of Labor and the insurance industry by the Ministry of Transportation.

## ► Regulatory Contacts

### Central Bank of Liberia

P. O. Box 2048

Corner of Warren and Carey Street

Tel: + (231) 226-991/ 225-685/ 229-728

Fax: + (231) 226-114

Website: [www.cbl.org.lr](http://www.cbl.org.lr)

# Libya



## 2009 at a glance

Population (mn)	6.4
Population growth (annual %)	1.9
Official language	Arabic
Currency	Libyan Dinar (LYD)
GDP (Current US\$ bn)	66.2
GDP growth (annual %)	1.6
GDP per capita (Current US\$)	10,311.5
Total Debt (US\$ bn)	5.6
Total Debt/GDP (%)	8.4
CPI (annual %)	5.3
Exports of Goods and services (% of GDP)	56.1
Gross Official Reserves (in US\$ bn)	92.1
Gross Official Reserves (in months of imports)	41.0
LYD / 1 USD (Year End)	1.2313

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	BBB+	BBB+
Moody's	Not rated	Not rated
S & P	A-	A-

Source: Fitch, S&P

## ► Summary

- » There is no fixed income securities market in Libya.
- » Structural reforms in the banking sector are underway, including privatization of several local banks. Banks hold significant excess liquidity.
- » Strengthening of the private sector and diversification of the economy.



## ► Monetary Policy and Money Market

The banking system in Libya is characterized by excess liquidity that has its roots in the fiscal surplus that Libya has enjoyed over the years. Deposits in banks that are part of state budget allocations and intended for public entities are kept in banks, earning no interest as they await public entity drawdowns. These funds are invested by commercial banks in certificates of deposit issued by the Central Bank of Libya (CBL).

The CBL introduced certificates of deposit (CD) in May 2008 to control the amount of liquidity in the banking system. These CDs are of a single maturity of 91 days and are offered at a predetermined fixed rate. The CBL is to extend the range of the maturities of certificates of deposit beyond 91 days and to develop an auction mechanism.

The CBL determines the interest rate applicable to these deposits and also determines the uniform interest rate cap at which the commercial banks on-lend to their clients. However, the CBL does not determine the deposit rate applied by commercial banks to their clients' deposits.

In May 2008, the CBL established the Repurchase Agreement market, which was a step towards indirect monetary policy instruments. An electronic auction trading system on 91-day CBL certificates of deposit was also launched and several changes in implementation of monetary policy are underway.

## ► Overview of Financial Sector

The banking sector is comprised of the Libyan Development Bank, a micro-credit and economic development bank, a savings and real estate development bank (commonly referred to as Specialized Credit Institutions SCI) and over 45 small regional banks, most of which have been merged under the National Banking Corporation. This corporation provides banks with services such as accounting and training.<sup>1</sup> The SCI provide subsidized credit to residential real estate, agriculture, and small enterprises in competition with commercial banks.

Libya is reforming its state-dominated banking sector that was built to support Government development priorities. Following the recent initiatives to privatize several banks, more credit is flowing into the private sector and SMEs. Commercial banks still have high liquidity that is slowly but gradually filtering into loans to the private sector. However, the main assets on the commercial banks books are cash and short-term deposits held at the Central Bank of Libya.

The privatization process has seen international banks like BNP Paribas acquire a stake in local banks. This will be vital in transferring technology and skills into the Libyan banking environment.

<sup>1</sup> Oxford Business Group Report, Libya 2008

## ► Foreign Exchange Market

The Libyan dinar (LYD) underwent two major devaluations: 51% in January 2002 and 15% in June 2003. Since 2003, the LYD has been pegged to the IMF's Special Drawing Rights (SDR), a basket of currencies consisting of USD, EUR, JPY and GBP. The peg is LYD 2.80/1 SDR, allowing maximum margins of +/7.5% around the peg rate.

The LYD has been generally stable within a range of LYD 1.22–1.42/1 SDR. The CBL uses its considerable foreign exchange reserves to ensure exchange rate stability versus

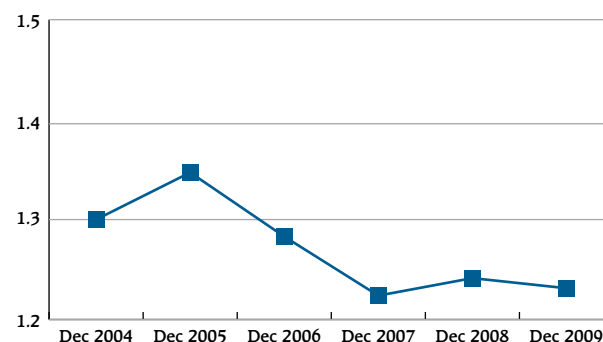
the US dollar. Commercial banks are allowed to sell foreign currencies at the official rate for transactions related to imports of essential goods or medical treatment abroad, but fees are levied on outward foreign exchange transfers. The LYD is extremely illiquid. In order to conduct FX transactions, presentation of commercial papers and/or the purpose or the source of funds has to be provided. Residents and non-residents may hold foreign currency accounts with prior approval. Similar approvals are also required for direct investment and other capital transactions.

The LDY's peg to the Special Drawing Right (SDR) continues to serve Libya well. While the LYD appears to be moderately overvalued, this is likely to be partly transitory in view of the projected decline in the external current account surplus.<sup>2</sup>

The opposite graph provides historical levels of the LYD against the USD.

<sup>2</sup> <http://www.imf.org/external/pubs/cat/longres.cfm?sk=23299>

**LYD per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

There is no derivatives market in Libya.

## ► Regulation

The Central Bank of Libya regulates the banking and the nonbank sectors of the economy.

## ► Clearing and Settlement

The Central Bank manages the clearing and settlement system. The required infrastructure for electronic clearance and settlement is not well developed.

## ► Regulatory Contacts

### Central Bank of Libya

P.O. Box 1103, Tripoli, Libya Tel: +218-21-3333591-99

Fax: +218-21-4441488

E-mail: [info@cbl.gov.ly](mailto:info@cbl.gov.ly)

Website: [www.cbl.gov.ly](http://www.cbl.gov.ly)

# Madagascar



## 2009 at a glance

Population (mn)	19.6
Population growth (annual %)	2.7
Official language	Malagasy
Currency	Malagasy Ariary (MGA)
GDP (Current US\$ bn)	8.7
GDP growth (annual %)	1.7
GDP per capita (Current US\$)	443.5
Total Debt (US\$ bn)	2.5
Total Debt/GDP (%)	28.8
CPI (annual %)	10.3
Exports of Goods and services (% of GDP)	20.9
Gross Official Reserves (in US\$ bn)	0.9
Gross Official Reserves (in months of imports)	2.6
MGA / 1 USD (Year end)	1,970.00

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		



## ► Summary

- » Government securities yield curve has longest tenor of 52 weeks.
- » Commercial banks are the main investors.
- » Weekly auctions of Treasury bills.
- » No active secondary market. Tradable debt securities were launched in the second quarter of 2007.
- » Reuters codes for market data:
  - BCMT (for FX and Foreign Money Trades Only), Page: BC-MMG

# ► Monetary Policy and Money Market

## Monetary Policy

The main objective of the Central Bank of Madagascar (BCM) is to maintain the internal and external stability of the currency by targeting the stability of both domestic prices and real effective exchange rates. The management framework of the monetary policy is based on the strict monitoring of monetary aggregates through open market and Repo operations and on the use of prime rate.

# ► Fixed Income Market

## Government Securities

Treasury bills are the main Government debt instrument. They are issued with maturities ranging from 4 weeks to 52 weeks. Historically, the Treasury issued Government bonds, however as of June 2009, there was no outstanding Treasury bond.

The table below provides details of Treasury bill issuance.

### Auction details

Auction frequency	<p>Every 2 Weeks:</p> <ul style="list-style-type: none"> <li>• Wednesday for competitive bids</li> <li>• Tuesday for non-competitive bids</li> </ul>
Auction method	<ul style="list-style-type: none"> <li>• For competitive bids : Dutch</li> <li>• For non-competitive bids: issued at weighted average rate of competitive bids</li> </ul>
Settlement cycle	Auction day +2 days
Access	Via banks and financial institutions
Minimum bid amount	20 million Ariary
Foreign investors	Not eligible to invest in T-bills, unless they are resident and have a local currency bank account

Source: BCM

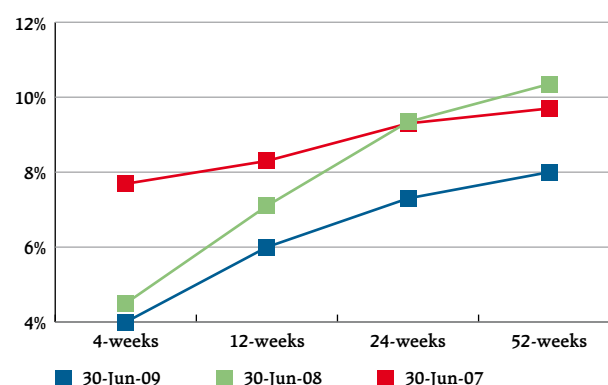
As of 31 December 2009, the outstanding T-bills amount was MGA 743 billion, with more than 82% maturing within 24 weeks.

The opposite graph illustrates the changes in Madagascar's Government yields curves for the last three years.

## Money Market

The benchmark is the Central Bank's prime rate. The interbank money market is comprised of Repos and Treasury bills.

Government securities yield curve as at 31-December 2007, 2008 and 2009



Source: Central Bank of Madagascar (BCM)

## Non-Government Securities

There is no corporate and municipal debt market in Madagascar.

## Intermediaries

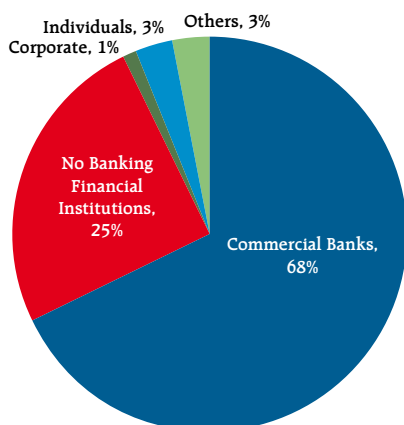
There are no primary dealers in Madagascar. However, subject to a good credit standing and a local currency account, any investor excluding foreign entities can have access to both the primary and the secondary market.

## Investors

Commercial banks are the most active investors in Madagascar's debt market. As of 31 December 2009, their total holdings were approximately 68% of outstanding Government debt.

The following chart provides holdings by investor type as of December 2009.

### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Central Bank of Madagascar

### Primary Market

The National Treasury regularly issues short-term debt instruments in the local capital market to fulfil financing needs at competitive prices. The BCM does not buy T-bills, but accepts them as collateral for Repos and loans to banks.

### Secondary Market

The secondary market is not very liquid. The number of transactions has dramatically decreased by more than 45% over the last six years. Similarly, the volume of transactions declined from approximately MGA 1,296 billion in 2004 to approximately MGA 194 billion in 2008. As of December 2009, the volume of transactions was approximately 60 billion.

## ► Foreign Exchange Market

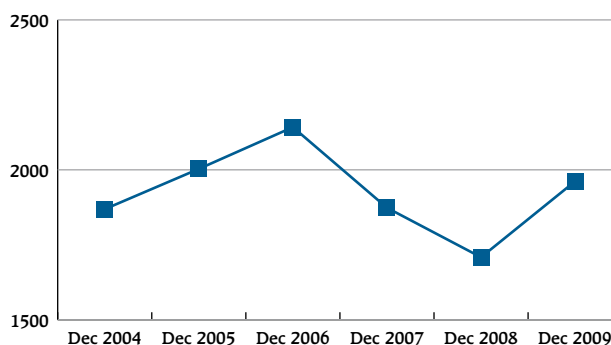
The official currency of Madagascar is the Malagasy Ariary (MGA). The exchange rate is freely determined by the interbank currency market through supply and demand. The Central Bank of Madagascar (BCM) limits short-term excessive fluctuations through direct interventions.

In 1996, the Government lifted all restrictions on current account-related payments, while capital transactions require prior authorization by the Ministry of Finance and Budget. Between 2006 and 2008, a current account deficit was recorded. There was a surplus to the capital account following a huge inflow of foreign direct investments. In total, the balance of payments was in surplus over the three years prior to 2009, after which the trend reversed.

Capital inflows, transfers of dividends and earnings are free of restrictions, however, the repatriation of capital is subject to authorization.

The following graph provides historical levels of the MGA against the USD.

### MGA per Unit of \$US (Year End)



Source: Central Bank of Madagascar

## ► Derivatives Market

There is no derivatives market in Madagascar.

## ► Regulation and Taxation

### Regulation

The Ministry of Finance supervises the financial sector.

### Taxation

Interest income is taxable at 23% and collected at source.

## ► Clearing and Settlement

The BCM is the clearing and settlement house and the central depository for debt instruments. All securities are dematerialized, identified with national identification

codes and settled automatically through a delivery against payment system.

## ► Regulatory Contacts

### Banque Centrale de Madagascar

B.P 550, Madagascar, Antananarivo (101),

Madagascar

Tél: +261 20 22 217 51

Fax : +261 20 22 345 32

E-mail: [sbu@bfm.mg](mailto:sbu@bfm.mg) <mailto:gv.cab@bfm.mg>

Website: <http://www.banque-centrale.mg>

# Malawi



## 2009 at a glance

Population (mn)	15.3
Population growth (annual %)	2.8
Official language	English/Chichewa
Currency	Malawian Kwacha (MWK)
GDP (Current US\$ bn)	3.9
GDP growth (annual %)	5.7
GDP per capita (Current US\$)	214.7
Total Debt (US\$ bn)	0.9
Total Debt/GDP (%)	26.5
CPI (annual %)	5.4
Exports of Goods and services (% of GDP)	24.9
Gross Official Reserves (in US\$ bn)	0.15
Gross Official Reserves (in months of imports)	2.2
MWK / 1USD (Year End)	145.9973

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		



## ► Summary

- » Government securities yield curve has tenors up to 273 days.
- » The banking industry is dominated by three large institutions that own approximately 70% of total assets and deposits.
- » The fixed income market consists almost exclusively of Government and Central Bank short-term bills.
- » The National Bank of Malawi, one of the leading commercial banks, has recently introduced a bond.
- » Most of these instruments are purchased by commercial banks and discount houses.

## ► Monetary Policy and Money Market

The Reserve Bank of Malawi (RBM) focuses monetary policy efforts on keeping inflation under control. The RBM is also mandated, under the Reserve Bank of Malawi Act, to manage the country's foreign exchange reserves.

During 2007 and 2008, the central bank pursued an expansionary monetary policy to promote economic growth and private sector development.

In 2008, confronted with scarce foreign currency reserves, the Government requested the IMF's assistance via an exogenous shock facility.

## ► Fixed Income Market

### Government Securities

There is a limited supply of fixed income securities in Malawi. The offering is composed exclusively of short-term Government bills. The Government issues Treasury bills with maturities of 91, 182 and 273 days.

### Intermediaries

The Reserve Bank of Malawi acts as an agent of the Malawi Government in the issuance of Treasury bills.

Two discount houses are the main participants in the buying and selling of Treasury securities in the secondary market.

### Investors

The Investor base is composed primarily of commercial banks. There are 11 commercial banks operating in the country and three of these control over two-thirds of the market. Insurance companies are also buyers of Treasury bills. There are 13 insurance companies: 8 non-life insurance companies, 4 life insurance companies and 1 reinsurance company.

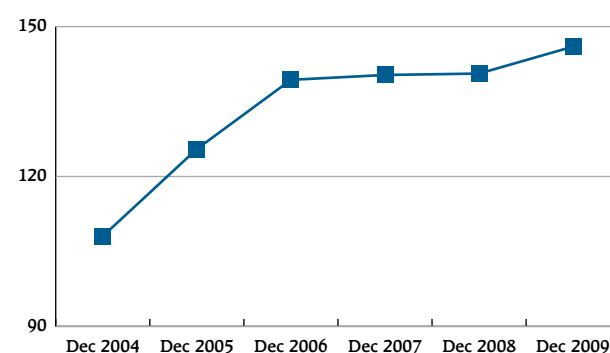
## ► Foreign Exchange Market

The Malawian Kwacha (MWK) was floated on 7 February 1994. The official exchange rate is based on the mid rate of the average buying and selling rates as reported by commercial banks.

The currency is convertible with respect to current account transactions. Nonetheless, given that capital account controls still exist, the currency is not freely convertible internationally. Both inward and outward direct and portfolio investments require prior approval.

The opposite graph provides historical levels of the MWK against the USD.

**MWK per Unit of USD (Year End)**



Source: Bloomberg



## ► Derivatives Market

There is no derivatives market. The securities law is being reviewed to consider derivatives trading.

## ► Regulation and Taxation

### Regulation

All banks and insurance companies, as well as the Malawi Stock Exchange and the securities market are regulated and supervised by the Reserve Bank of Malawi.

The Malawi Stock Exchange operates under the Capital Market Development Act of 1990 and the Companies Act of 1984.

### Taxation

A withholding tax of 15% is levied on interest income.

## ► Regulatory Contacts

### Malawi Stock Exchange

Old Reserve Bank Building, Private  
Bag 270, Blantyre, Malawi  
Tel: +265-1-624233  
Fax: +265-1-623636  
E-mail: [mse@mse-mw.com](mailto:mse@mse-mw.com)  
Website: [www.mse.co.mw](http://www.mse.co.mw)

### Reserve Bank of Malawi

Box 30063,  
Capital City, Lilongwe 3, Malawi  
Convention Drive  
City Centre, Lilongwe, Malawi  
Tel: +265-1-770.600  
Fax: +265-1-772752/265, 774289  
E-mail: [webmaster@rbm.mw](mailto:webmaster@rbm.mw)  
Website: [www.rbm.mw](http://www.rbm.mw)

# Mauritania



## 2009 at a glance

Population (mn)	3.3
Population growth (annual %)	2.3
Official language	Arabic
Currency	Mauritanian Ouguiya (MRO)
GDP (Current US\$ bn)	3.1
GDP growth (annual %)	1.8
GDP per capita (Current US\$)	952.2
Total Debt (US\$ bn)	1.9
Total Debt/GDP (%)	61.7
CPI (annual %)	4.2
Exports of Goods and services (% of GDP)	44.9
Gross Official Reserves (in US\$ bn)	N/A
Gross Official Reserves (in months of imports)	N/A
MRO / 1USD (Year end)	263.00

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » Government securities yield curve has longest tenor of 50 weeks.
- » Financial market is dominated by commercial banks.
- » Treasury bill auctions are held every week
- » No secondary market trading activity

## ► Monetary Policy and Money Market

Established in 1973, the Banque Centrale de Mauritanie (BCM) is in charge of the monetary policy of the Islamic Republic of Mauritania with the main objective of price stability. The BCM ensures the stability of the Mauritanian financial system and supports the implementation of the economic policy defined by the Government.

In January 2007, the BCM went through an important reform aimed at strengthening its independence, with greater autonomy in the formulation and implementation of the monetary policy through the creation of the Monetary Policy Committee (MPC). The MPC meets once a month to examine monetary and economic developments and takes necessary actions which are compiled and published in a periodic newsletter. The main instruments are open market and Repo transactions, and minimum reserve requirements for banks.

In 2008, the BCM categorized inflation as an operational strategic target and set up a strategic plan that aims to upgrade its information infrastructure and enhance the institution's analytical capabilities, in order to better define inflation target and monitor price levels.

The main instruments in the Mauritanian money market are Treasury bills "bons de trésor à court terme" (BTC), certificate of deposit (CDs), commercial papers (CPs), Central Bank bills (CBBs) and Repos. The interbank market benchmark rates are the Central Bank prime rate and the weighted average treasury bills rate (WATBR). In 2009<sup>1</sup>, the WATBR fluctuated between 8% and 12%, with the majority of the decline occurring during the second half of the year.

1 Source : BCM website

## ► Fixed Income Market

### Government Securities

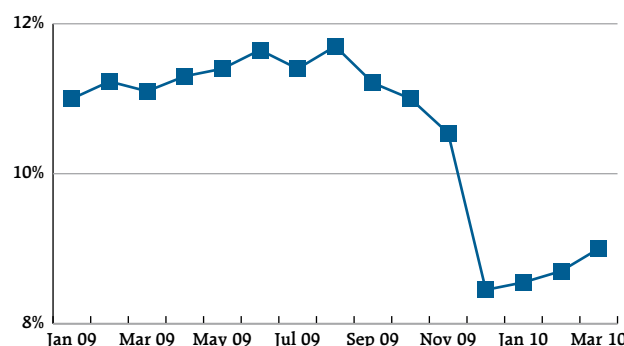
BTCs are issued through a weekly auction by the national Treasury in coordination with the BCM to help regulate money supply in the interbank market and to meet the Government's short-term liquidity needs. The Treasury can also issue Treasury bonds, known as "bons du trésor annual" (BTA), and "Titres de Créances Négociables" (TCN) to fulfil the funding needs of the Government, as well as for debt management purposes.

The Government of Mauritania issues Treasury bills through a weekly auction on Mondays, for 4-, 13-, 26 and 50-week tenors. BTC are issued at a discount for a multiple of 1 million MRO. In 2009, the amount of BTC issued per auction was between MRO 5 and 10 billion, with a slight increase in the fourth quarter of the year. As the issuing agent of the Government, the national Treasury can also issue Treasury bonds (BTA) for a maturity of more than 1 year.

The opposite graph shows the fluctuation of the WATBR in 2009.

The Central Bank of Mauritania issues bills with tenor of less than one year to regulate the interbank money supply.

### Evolution of the weighted average treasury bills rates in 2009



Source : BCM

### Non-Government Securities

There have been no corporate issuances in the Mauritanian debt market.

### Intermediaries

Commercial banks are the main intermediaries of the Mauritanian debt market. They have access mainly to the primary market for their own book or for those of their clients.

## Investors

The banking sector is the major investor in Mauritania, accounting for the majority of BTC's holdings in 2009. Foreign investors have access to the primary market; however, their participation is currently very marginal.

## Primary Market

Commercial banks are the main players of the primary market.

## Secondary Market

Established in 2007, the secondary market is not yet active.

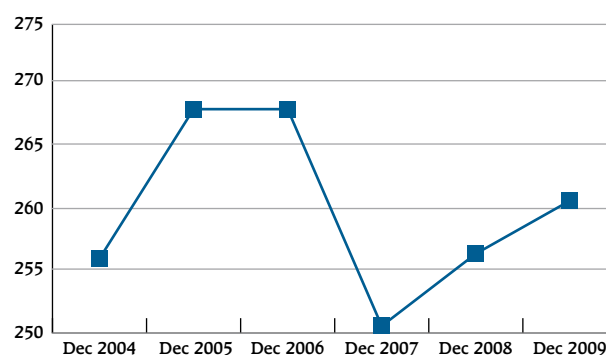
## ► Foreign Exchange Market

The Mauritanian Ouguiya (MRO) is a managed floating currency. Since May 2004, the MRO fluctuated between MRO 268.6 and MRO 250.6 per 1 USD.

Mauritania has a free exchange regime. In practice, the transfer of capital is handled by banks. Since the sector is liberalized, banks do not need authorization from the BCM to transfer funds offshore.

The opposite graph provides historical levels of the MRO against the USD.

**MRO per Unit of USD (Year End)**



Source: BCM and Bloomberg

## ► Derivatives Market

There is no derivatives market in Mauritania.

## ► Regulation and Taxation

### Regulation

The BCM is the main regulatory body of the financial market. It supervises the banking sector, which comprises 12 commercial banks, 8 insurance companies and 80 microfinance institutions, including 51 credit unions "Caisses Populaires locales d'Épargne et de Crédit" (CAPEC).

### Taxation

Both foreign and local investors are treated equally in accordance with the tax laws currently in effect. Interest on Treasury bills is subject to personal and corporate taxes.

## ► Clearing and Settlement

The BCM is the clearing and settlement house, as well as the central depository for securities.

## ► Regulatory Contacts

### **Banque Centrale de Mauritanie**

B.P. 623 Nouakchott, Mauritanie

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# Mauritius

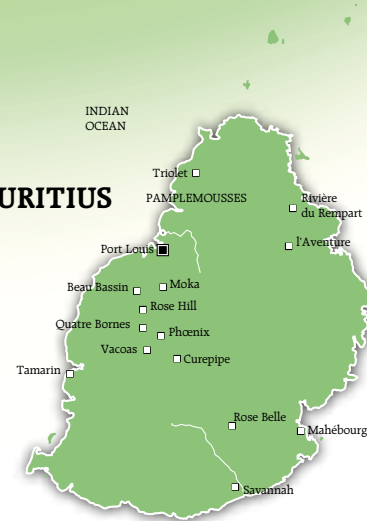


## 2009 at a glance

Population (mn)	1.3
Population growth (annual %)	0.7
Official language	English/French
Currency	Mauritius Rupee (MUR)
GDP (Current US\$ bn)	9.5
GDP growth (annual %)	2.0
GDP per capita (Current US\$)	7,351.3
Total Debt (US\$ bn)	0.9
Total Debt/GDP (%)	9.8
CPI (annual %)	7.3
Exports of Goods and services (% of GDP)	52.5
Gross Official Reserves (in US\$ bn)	1.8
Gross Official Reserves (in months of imports)	3.8
MUR / 1USD (Year end)	30.3500

Source: AfDB, Bloomberg

## MAURITIUS



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	Not rated	Not rated
Moody's	Baa2	Baa2
S & P	Not rated	Not rated

Source: Bloomberg

## ► Summary

- » Government securities yield curve has longest tenor of 20 years.
- » Securities are issued to finance Government expenditure. The Bank of Mauritius issues bills for money market liquidity management.
- » Treasury bills auctions are announced two days before issuance; the issuance calendar for Government bonds is available on the websites of the Bank of Mauritius and the Ministry of Finance, and is also published in the local press.
- » Challenges facing the market include development of benchmark securities, issuing single maturity securities, developing an active secondary market and online auctioning of Government Securities.
- » Reuters codes for market data:
  - BOMA, BOMP, BOMTBA, BOMTBC, BOMTBD, BOMTBE

## ► Monetary Policy and Money Market

The primary objective of the Bank of Mauritius (BOM) is to maintain price stability and to promote orderly and balanced economic development. The Monetary Policy Committee (MPC) of the Bank of Mauritius formulates and determines the monetary policy to be conducted by the Central Bank. In the current monetary policy framework, introduced in December 2006, the key Repo rate is the policy instrument used to signal changes in the monetary policy stance. The MPC convenes on a quarterly basis, and also as and when required outside regular meetings, to decide on the level of the key Repo rate. To sensitize economic agents and explain monetary policy decisions, a transparent communication strategy is in place.

An interest rate corridor has been set at  $\pm 125$  basis points around the key Repo rate to ensure coherent movement of interbank interest rates with the policy interest rate. To influence money market liquidity, the Bank regulates the supply of reserve money. In addition to reverse repurchase and repurchase transactions conducted at 125 basis points below and above the key Repo rate respectively, Bank of Mauritius bills of 28 and 56-day maturities are also issued to manage money market liquidity. With the shorter end of the yield curve anchored, the overall yield curve will be prone to adjust to any changes in the policy interest rate.

The Bank provides a Special Deposits Facility to banks at its discretion, at 100 basis points below the key Repo rate for a maximum period of 21 days. An Overnight Facility against collateral at 150 basis points above the key Repo rate is also provided subject to a borrowing quota. As lender of last resort, the Bank maintains a collateralized Standing Facility to banks without any borrowing quota at 400 basis points above the key Repo rate.

The price stability objective is clarified under the Act which provides for the Bank to determine, with the concurrence of the Minister of Finance and Economic Empowerment, "... the accepted range of the rate of inflation during a given period consistent with the pursuit of the price stability objective". The legal requirement is presently under consideration for implementation. The fulfillment of this requirement will foster the anchoring of inflation expectations which will generate wide-ranging benefits for the economy.

Details of interbank and Repo transactions are posted on Reuters and published in the monthly bulletin of the Bank of Mauritius.

## ► Fixed Income Market

### Government Securities

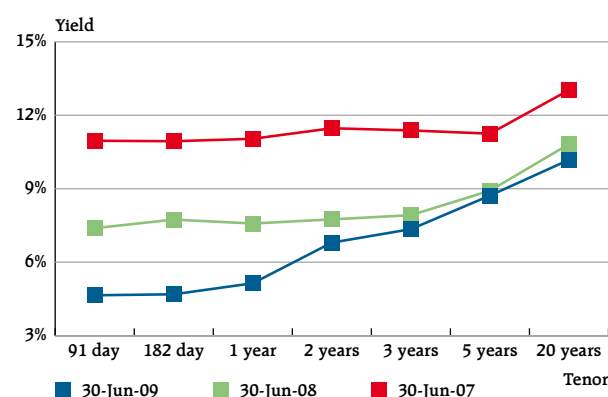
Treasury bills are issued with tenors of 91, 182 and 364 days. Auctions are held weekly and the day-count convention is actual/365.

Treasury note auctions are held monthly with tenors for 2, 3 and 4 years. Government bond tenor is 5 years and long-term bond tenors are 7, 13 and 20 years. Auction frequency is every 2 months for 5-year bonds and 2 or 3 times a year for long-term bonds.

Government securities are issued by the Bank of Mauritius on behalf of the Government of Mauritius solely for financing Government expenditure. The market offers fixed-rate bonds, inflation linked bonds and zero coupon bonds. The dominant principal payment mode is bullet redemption.

The Bank of Mauritius issues 28-day and 56-day bills to manage money market liquidity.

**Government securities yield curve as at 30 June 2007, 2008 and 2009**



Source: Bank of Mauritius

## Non-Government Securities

Corporate bonds are listed on the Mauritius Stock Exchange (SEM) and are traded on both the SEM and the OTC board in Mauritius. However, new issuances have been limited recently. This is partly due to the Government reversing its favourable tax policy on interest payments of corporate bonds. Consequently, as of December 2009, there was no outstanding corporate bond in the market.

## Intermediaries

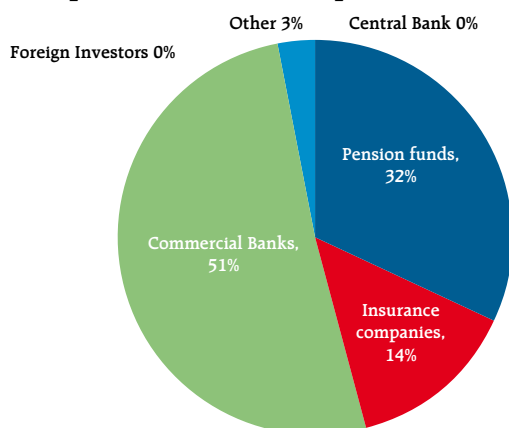
Eleven investment dealers trade Government of Mauritius Securities/Bank of Mauritius Bills on the Stock Exchange of Mauritius. A Primary Dealer System was established in March 2002 and currently there are twelve primary dealer banks. Primary dealers and other financial institutions participate at the primary auction of Government Securities.

Non-residents can participate in the market through approved primary dealers or investment dealers.

## Investors

Proportions of holders by investor category are as follows:

### Holdings by category of investor as at June 30, 2009 (in percent and million rupees)



Source: Data from Bank of Mauritius

There are currently 18 registered deposit-taking banks and 13 registered non-bank institutions operating in Mauritius. The banking industry is very developed and efficient, but there is a considerable degree of concentration of owner-

ship. The two largest banks in Mauritius, the Mauritius Commercial Bank and the State Bank of Mauritius, control approximately 70% of all banking assets. Total assets of commercial banks as of 30 June 2009 amounted to MUR 743 billion, which represents an increase of 1.9% over the previous year. Total deposits stood at MUR 547 billion, including MUR 351 billion held in foreign currencies.

Mauritius has a balanced and well-managed multi-pillar pension system. In addition to several public components, such as the Basic Retirement Pension, the National Pensions Fund, the National Savings Fund, and the Civil Service Pension Scheme, there are over 1,000 funded occupational pension schemes that play an increasingly important part in the fixed income market.

The insurance sector is highly concentrated: the three largest groups, SICOM (State Insurance Company of Mauritius, a state-owned company), Swan/Anglo-Mauritius and BAI (British American Insurance), represent approximately two-thirds of total industry assets. Investment in overseas assets is limited to 25% of total assets, except for foreign life insurance companies and general insurance business which are not allowed to invest in overseas assets.

Holdings by foreign investors in Government Securities stood at MUR 59 million as of 30 June 2009.

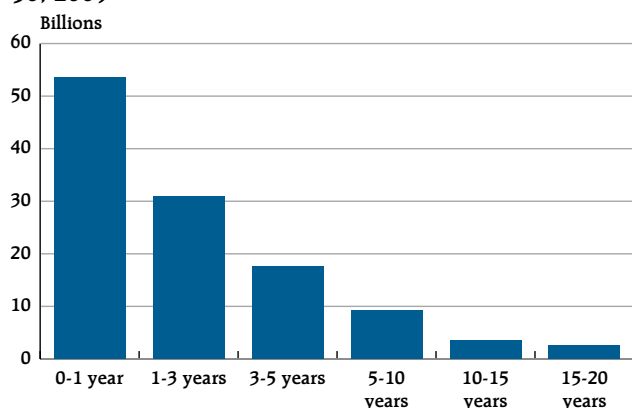
Retail investors can access the Government market in the following ways: auctions on the primary market; the Stock Exchange; Primary Dealer System; and over-the-counter (OTC) at the BOM.

## Primary Market

Securities of the Government of Mauritius are currently available to the public in the primary market. Direct purchases are made through any of the 12 primary dealers operating under the Primary Dealer System. Applications from individuals and non-financial institutions should be made through banks or licensed stockbrokers offering these services. The minimum bid amount is MUR 100,000, with multiples thereof. Government securities are underwritten by the BOM in the primary market at non-competitive prices.



### Maturity Profile for outstanding issues as at June 30, 2009



Source: Bank of Mauritius

### Secondary Market

Apart from the Stock Exchange of Mauritius and OTC markets, secondary trading also takes place on the Bank of Mauritius' secondary market unit.

The Central Bank owns a portfolio of Treasury bills which is occasionally used in the secondary market to allow market participants to adjust their liquidity between the weekly primary Treasury bill auctions. A window is also available at the Central Bank for individuals on the OTC market.

Primary dealers are required to quote continuous 2-way prices and the maximum spread has been set at 30 basis points. The most liquid part of the curve has been the 301 to 364 day band, but no long-term benchmarks have been established yet. Secondary market trading is done both on-exchange and over-the-counter. Pre-trade prices are available on the website of primary dealer banks while post-trade prices can be found on the BOM website, Reuters' screens and in monthly bulletins.

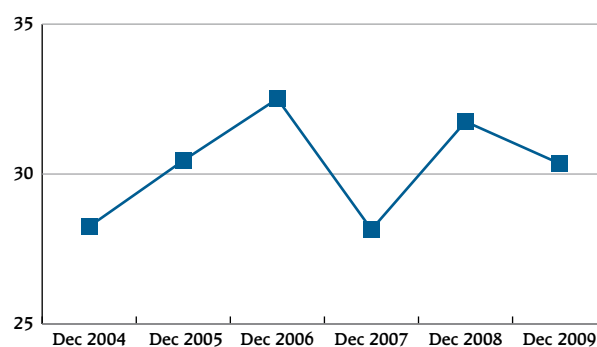
## ► Foreign Exchange Market

Mauritius has a managed floating foreign exchange regime. The Mauritian Rupee is fully convertible. Both the current and capital accounts are fully convertible. There are no reporting requirements for investors, both resident and non-resident, to move funds in or out of Mauritius. Intervention in the foreign exchange market by the Central Bank is not aimed at offsetting market forces but at smoothing out unwarranted volatility. The IMF has recently proposed to reclassify the exchange rate regime from managed float to free float.

Only fully-licensed dealers can trade in the foreign exchange markets. In addition to the 18 commercial banks which carry out foreign exchange activities as part of their banking business, there are 5 licensed foreign exchange dealers and 12 licensed money changers. The average daily market transaction volume is USD 24 million with transaction sizes ranging from USD 200,000 to USD 500,000. The most frequently traded pair is USD/MUR.

The graph below shows the historical levels of the MUR against the USD.

### MUR per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

The Mauritius Market has interest rate and currency derivatives, but the volume is not large. FX forwards exist with moderate liquidity and tenors extending up to 12 months. The Global Board

Of Trade Ltd. (GBOT) which is an international multi-asset derivatives exchange will shortly be offering a basket of commodity and currencies derivatives for trading on its platform.

## ► Regulation and Taxation

### Regulation

The Bank of Mauritius regulates and supervises the banking industry. Regulation of the securities market, the pension sector and insurance sector falls under the the Financial Services Commission.

### Taxation

A 15% withholding tax exists for bond market investors. Non-residents are subject to income tax on interest earned

from securities in Mauritius. Mauritius has signed double taxation treaties with foreign Governments and so far it has concluded 33 tax treaties. Interest income is deductible at source on investments above MUR 2 billion. Legislation on tax may be obtained on the website of the Mauritius Revenue Authority (MRA) at <http://www.gov.mu>. There is no capital gains tax on fixed income securities.

## ► Clearing and Settlement

The clearing and settlement system is managed by the Bank of Mauritius through the Mauritius Automated Clearing and Settlement System (MACSS). Primary market settles on same day value for Treasury bills and T+2 for Treasury notes and bonds. The secondary market normally settles T+1 but can also be settled on same day. Most securities are dematerialized (book entry system) with DVP execution on a gross settlement basis.

Custodial function is performed by the Bank of Mauritius for the primary market and primary dealers for part of the secondary market. All investors have their record on the central depository and may appear as sub-accounts of settlement agents.

## ► Regulatory Contacts

### Bank of Mauritius Bank of Mauritius Tower Royal Street

Port Louis  
Mauritius  
Tel: +230-202 3800/3900  
Fax: +230-2089204  
E-mail: [bomrd@bow.intnet.mu](mailto:bomrd@bow.intnet.mu)  
Website: <http://bom.intnet.mu>

### The Financial Services Commission

4th Floor, Harbour Front Building, President John Kennedy Street, Port Louis, Mauritius  
Tel: +230-2107000  
Fax: +230-2087172  
Website: [www.gov.mu](http://www.gov.mu)

### The Stock Exchange of Mauritius

4th Floor, One Cathedral Square Building, 16, Jules Koenig Street, Port Louis, Mauritius  
Tel: +230-2129541  
Fax: +230-2088409  
E-mail: [stxbeni@intnet.mu](mailto:stxbeni@intnet.mu)  
Website: [www.semindex.com](http://www.semindex.com)

# Morocco



2009 at a glance	
Population (mln)	32.0
Population growth (annual %)	1.2
Official language	Arabic
Currency	Moroccan Dirhams (MAD)
GDP (Current US\$ bn)	92.2
GDP growth (annual %)	5.1
GDP per capita (Current US\$)	2,882.9
External Debt (US\$ bn)	19.8
External Debt/GDP (%)	21.5
CPI	1.5
Exports of Goods and services (% of GDP)	32.3
Gross Official Reserves (in US\$ Bn)	21.9
Gross Official Reserves (in months of imports)	7.2
MAD / 1 USD (Year End)	7.9024

Source: AfDB, Bloomberg



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Fitch	BBB	BBB-
Moody's	Ba1	Ba1
S & P	BBB+	BBB-

Source: Bloomberg

## ► Summary

- » Government yield curve has tenors up to 20 years with six benchmark points.
- » Growing diversified investor base with marginal presence of foreign investors.
- » Weekly Auction of Treasury bills and bonds.
- » Average transaction size on the secondary market is MAD 70 million.
- » Bloomberg and Reuters codes for market data:
  - Reuters : Morocco, Bam / Mon 01->10, Bam/Fx01
  - Bloomberg: Cbom

## ► Monetary Policy and Money Market

### Monetary policy

Established in June 1959, the Central Bank of Morocco (Bank Al-Maghrib) formulates and implements monetary policy through open market and Repo operations with the main objective of price stability. No quantitative inflation level is targeted. The operational objective of policy decisions is to influence the interbank rates through the prime rate and reserve requirements. Monetary policy decisions, mainly the modification of the prime rate and the reserve requirement, are taken at the quarterly Monetary Policy Committee (MPC the Board of Bank AlMaghrib) meeting. The outcome of the MPC meetings are published quarterly.

### Money Market

The main components of the Moroccan money market are the Repo market, Commercial paper market and certificates of deposit. Other components include the uncollateralized interbank and Treasury bills markets.

The interbank market benchmarks are the Weighted Average Interbank Rate (WAIR) and 90-day and 180-day Treasury bill rates.

## ► Fixed Income Market

### Government Securities

Fixed income instruments are Treasury bills and bonds. Treasury bills with maturities between 7 and 364 days are issued on a weekly basis, while Treasury bonds are issued every fortnight for tenors ranging from 2 years to 30 years. All securities are dematerialized.

The details of Government debt issuance are summarized in the table below.

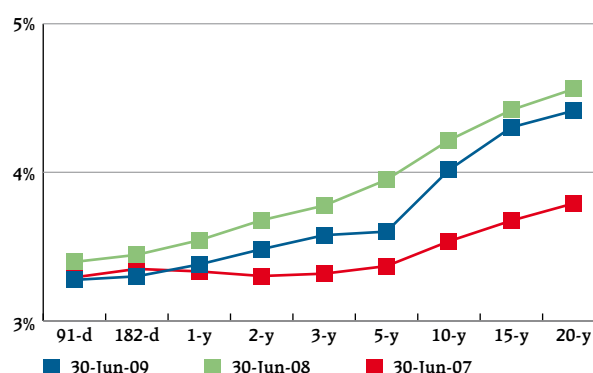
#### Auction details

	T-bills	T-bonds
Auction frequency	Weekly, every Tuesday	Fortnightly
Auction method	Dutch	Dutch
Settlement cycle	T+6	T+6
Access	open to all investors	
Minimum bid amount	100 000 dirhams	
Foreign investors	Eligible	

As of 31 July 2009, the total outstanding Government debt was MAD 252 billion, with more than 53% maturing within 5 years, 21% between 5 and 10 years and 24% between 10 and 20 years. Interest on Government securities is payable annually with bullet repayment of the principal.

The opposite graph illustrates the changes in the Government yield curve over the last three years.

Government securities yield curve as at 30-June 2007, 2008 and 2009



Source: Bank Al-Maghrib

### Non-Government Securities

The Moroccan market has corporate issues with maturities that range from 7 days to 30 years.

Certificate of Deposit (CDs) issued by banks have tenors between 10 days and 7 years whereas Commercial Paper (CPs) is issued with a maximum maturity of 1 year. There is no municipal bonds market in Morocco.

### Intermediaries

There are no restrictions to participation in the primary market.

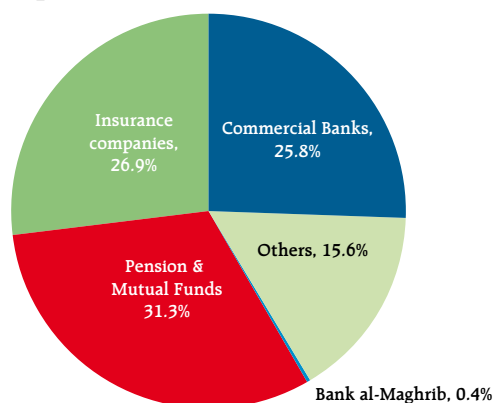
All investors, including foreign investors, have equal access to the primary and secondary debt market via primary

dealers selected by the Bank Al-Maghrib. Primary dealers have a responsibility of providing liquidity to the market by executing a minimum number of transactions each year for their clients.

### Investors

The Moroccan debt market is very active with a diversified investor base including insurance companies, commercial banks, Bank Al-Maghrib, foreign investors, and others. As of 31 July 2009, the main investors were Insurance Companies (33%), Mutual funds (25%) and Commercial banks (16%). Foreign investors' participation is marginal and Bank Al-Maghrib intervention is limited to the secondary market.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: Bank Al-Maghrib

## ► Foreign Exchange Market

The Moroccan Dirham (MAD) is pegged to the value of a basket of currencies, reflecting the country's key trading partners. These currencies are the Euro and the USD, with weights of 80% and 20% respectively.

Bank Al-Maghrib intervenes in the market to keep rates within a trading band of  $\pm 0.3\%$  around the target rate that is set daily.

The opposite graph provides historical levels of the MAD against the USD.

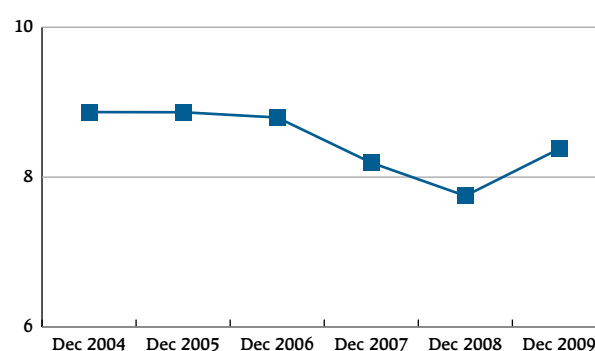
### Primary Market

The Kingdom of Morocco and major corporations (including financial institutions) regularly issue debt in the local capital market to fulfil their financing needs at competitive prices.

### Secondary Market

The secondary market in Morocco is relatively liquid and operationally efficient. The trading volume declined steadily from MAD 100 billion in 2004 to MAD 74 billion in 2008 and MAD 54 billion during the first semester 2009. Similarly, turnover market activity dropped by more than 20% over the same period. Public and private sector securities are traded over-the-counter and prices are quoted either in MAD or as a percentage of notional.

**MAD per Unit of USD (Year End)**



Source: Bank Al-Maghrib

## ► Derivatives Market

The Moroccan onshore derivatives market comprises mainly foreign exchange forwards, forward rate agreements (FRAs) and interest rate swaps. Following the current account liberalization reforms in 2008, forward exchange contracts and cross-currency forwards are now available to commercial banks and other financial operators for unlimited maturity. However, FX options are limited to tenors of up to 12 months. There is an onshore foreign exchange tax of 0.1%

As a hedge against interest rate risk, resident borrowers are allowed to contract interest rate swaps up to two years, and forward rate agreements for a tenor of six months cash in 6 months (6x6).

There is a small offshore market limited to spot and forwards of up to two years.

## ► Regulation and Taxation

### Regulation

The Moroccan financial system's regulatory framework is divided into two main components:

(i) The "Conseil Déontologique des Valeurs Mobilières", which supervises the Casablanca Stock Exchange (CSE), while the "Association Professionnelle des Sociétés de Bourses" (APSB) formulates the rules and procedures for trading;

(ii) Bank Al-Maghrib, the Central Bank, which supervises the banking and insurance sectors, in coordination with the Ministry of Finance that approves commercial banks' licenses.

### Taxation

In general, interest income attracts withholding tax at source while capital gains are subject to corporate tax.

## ► Clearing and Settlement

Established in 1997, Maroclear is the Central Securities Depository. The Treasury and Bank Al-Maghrib are amongst its shareholders, with a participation of 25% and 20%, respectively. Maroclear's key functions include acting as the securities custodian and overseeing the delivery and payment system. Securities are identified with ISIN codes, entirely dematerialized, and automatically settled using

the Delivery versus Payment (DVP) method. Clearing is done in bulk at business closing date.

Day-count conventions are maturity based. Act/360 is applied for maturities lower than one year and Act/Act is applied thereafter. Securities are settled on T+6.

## ► Regulatory Contacts

### Bourse de Casablanca

Angle Avenue des Forces Armées Royales et Rue Arrachid Mohamed, Casablanca, Morocco Tél: 212-22-45626/27  
Fax: 212-22-452625  
E-mail : [contact@casablanca-bourse.com](mailto:contact@casablanca-bourse.com)  
Website: [www.casablanca-bourse.com](http://www.casablanca-bourse.com)

### Central Bank of Morocco

277, Avenue Mohamed V, Rabat-Morocco  
Tél: 212-37-702626  
Fax: 212-37-707838  
E-mail : [gouverneur@bkam.gov.ma](mailto:gouverneur@bkam.gov.ma)  
Website: [www.bkam.ma](http://www.bkam.ma)

## **Le conseil Déontologique des Valeurs Mobilières**

6, rue Jbel Moussa, Agdal Rabat

Tél : 212-37-688900/01/02

Fax : 212-37-688946

E-mail: [earchid@cdvm.gov.ma](mailto:earchid@cdvm.gov.ma)

Website: [www.cdvm.gov.ma](http://www.cdvm.gov.ma)

# Mozambique



## 2009 at a glance

Population (mn)	22.9
Population growth (annual %)	2.3
Official language	Portuguese
Currency	Metical (MZN)
GDP (Current US\$ bn)	13.7
GDP growth (annual %)	4.3
GDP per capita (Current US\$)	600.2
Total Debt (US\$ bn)	5.2
Total Debt/GDP (%)	37.9
CPI (annual %)	6.2
Exports of Goods and services (% of GDP)	20.9
Gross Official Reserves (in US\$ bn)	1.5
Gross Official Reserves (in months of imports)	4.1
MZM/ per 1 USD (year end)	30.2000

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	B+	B
Moody's	Not rated	Not rated
S & P	B+	B+

Source: Bloomberg



## ► Summary

- » Mozambique's financial system has witnessed impressive growth in recent years.
- » There is a nascent fixed income market that includes both sovereign and corporate bonds.
- » Governmental issuance is composed of Treasury bills as well as longer term Treasury bonds, with maturities of up to 10 years.
- » The investor base is dominated by commercial banks.
- » The secondary market is still underdeveloped and is transacted at the Mozambique Stock Exchange (BVM).
- » There is a benchmark yield curve which is computed by the Central Bank.



## ► Monetary Policy and Money Market

### Monetary policy

The Central Bank, the Banco de Mozambique (BDM), is responsible for keeping inflation under control. The BDM uses Treasury bills sales to contain liquidity and foreign exchange sales to control inflation resulting from imported goods.<sup>1</sup> At the moment, the Central Bank does not issue bills.

<sup>1</sup> Source: OECD, African Economic Outlook 2009: Country Notes Volume 1 and 2.

The BDM focuses on maintaining monetary aggregates at a sustainable level. It is considering switching its focus to an explicit inflation-targeting policy.

### Money Market

The Interbank Money Market is still embryonic with only 6 out of 14 banks adhering to the Maputo Interbank Offered Rate (MAIBOR) agreement.

## ► Fixed Income Market

### Government Securities

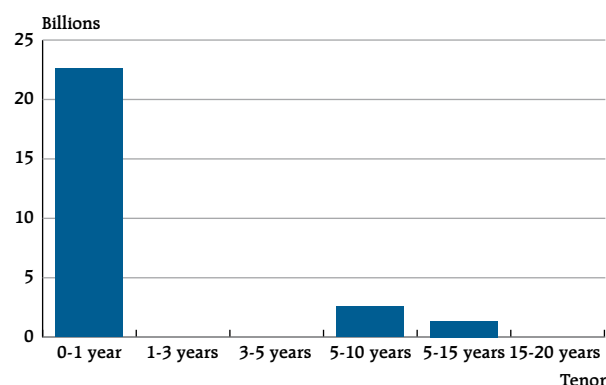
There are various Treasury bills available: 91, 182 and 364 days. These instruments are sold primarily to commercial banks in the context of the Central Bank's open market operations. The allocation of 91-days bills increased by 108% in 2008 and corresponded to 11.2 % of total outstanding Treasury bills. The amount subscribed for 364-days bills was 56.4% of the total outstanding, while 182-days bills accounted for 32.1% of total Treasury bills in 2008.

Government bonds have existed since 1999. From 1999 to 2009, a total of 10 Treasury bonds were issued by the Government and listed on the Stock Exchange. The maturities of Treasury bonds extend from 3 to 10 years. There is also one perpetual Treasury bond.

The graph below illustrates the maturity profile of Government of Mozambique securities.

#### Maturity profile of Government of Mozambique securities as at June 30, 2009 (in Meticaís)

Source: Bank of Mozambique



The amortization profile of Government and Corporate bonds is varied. Interest rate payments are usually floating.

### Non-Government Securities

The number of companies using bonds as a source of financing is still small and limited to a few key sectors: financial sector companies, insurance companies and telecommunication companies.

### Intermediaries

The primary dealers for T-Bills are commercial banks, the majority of which are foreign-owned, namely Standard Bank, Millennium Bim, BCI and Barclays.

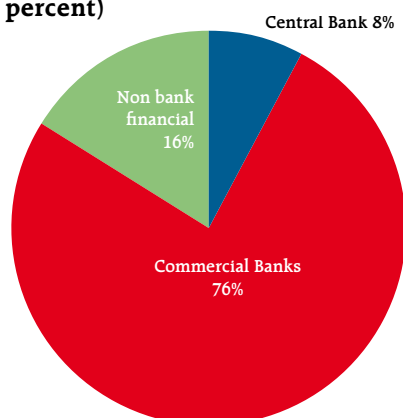
Government and Corporate Bonds are transacted in the stock exchange. There is only one dealer operating in Mozambique, the "Banco Portugues de Investimento" (BPI Dealer). All other brokers in Mozambique are part of commercial banks.

### Investors

The investor base is mostly composed of commercial banks. As of early 2010, there were 14 banks operating in the country.

There are also some insurance companies and a small number of investment management institutions active in the market.

### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Mozambique Stock Exchange (BVM, 2009)

## ► Foreign Exchange Market

The Mozambican Metical (MZM) is an independent, freely floating currency. Access to foreign exchange was liberalized by the approval in 1996 of a new Exchange Control Regulation Law.

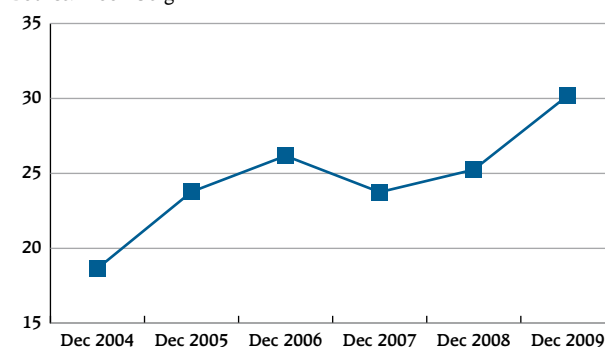
Foreign exchange retention accounts are permitted for the entirety of foreign exchange earnings.

Investment registration and repatriation application procedures must be adhered to in order to repay foreign loans and repatriate invested capital, profits, and dividends in excess of USD 5,000.

The opposite graph illustrates the historical levels of the Metical against the USD.

### MZM per Unit of USD (Year End)

Source: Bloomberg



## ► Derivatives Market

There is no derivatives market.

## ► Regulation and Taxation

### Regulation

In 1998 the Government of Mozambique developed a securities market regulation. One year later, the Mozambique Stock Exchange (BVM) was incorporated and started its

operations. The BVM is a public institution under the guardianship of the Ministry of Finance.

The Central Bank is the entity responsible for the supervision and surveillance of both the primary and secondary securities market, as well as all market operators.

### Taxation

The following taxes are applicable to investment income: corporate capital gains tax rate of 32%, withholding tax interest of 20%, and personal capital gains tax of 32%.

Taxes applying to fixed income vary according to the issuing conditions of each instrument.

## ► Clearing and Settlement

Trading, clearing and settlement are carried out via an electronic system. Since 2000, a remote trading network

system with direct access to the trade session allows stockbrokers to trade via the internet.

## ► Regulatory Contacts

### Banco de Moçambique

Av. 25 de Setembro 1695, P.O. Box  
423, Maputo, Mozambique  
Tel: +258-21-354600 or +258-21-354700  
Fax: +258-21-323712  
E-mail: cdi@bancomoc.mz  
Vasco.mepula@bancomoc.mz  
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### Bolsa de Valores de Moçambique

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# Namibia



## 2009 at a glance

Population (mn)	2.2
Population growth (annual %)	1.9
Official language	English
Currency	Namibia Dollar (NAD)
GDP (Current US\$ bn)	8.2
GDP growth (annual %)	-1.4
GDP per capita (Current US\$)	3,765.7
Total Debt (US\$ bn)	2.2
Total Debt/GDP (%)	26.5
CPI (annual %)	9.0
Exports of Goods and services (% of GDP)	43.1
Gross Official Reserves (in US\$ bn)	1.5
Gross Official Reserves (in months of imports)	5.1
NAD/ per 1 USD (year end)	7.3980

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	BBB	BBB-
Moody's	Not rated	Not rated
S & P	Not rated	Not rated

Source: Bloomberg

## ► Summary

- » Namibia's financial sector is well established, with close links to South Africa by virtue of its membership of the Common Monetary Area (CMA).
- » A benchmark yield curve can be recreated using Government bonds with maturities ranging from the years 2012 to 2024.
- » Although the Government and parastatal entities are the main issuers, there are also a few commercial banks tapping the market.
- » There is a wide range of investors in the fixed income market. They include banking institutions, fund managers, insurance companies, stock brokers and public enterprises.
- » Reuters codes for market data: BONNA1, BONNA2 and BONNA4.

## ► Monetary Policy and Money Market

### Monetary policy

Monetary policy in Namibia is supported by the fixed peg of the Namibia Dollar to the South African Rand.

The main goal of the Central Bank is to achieve price stability.

The Bank of Namibia uses several tools to implement monetary policy. The Central Bank's main operational instruments are the repo rate and a seven day repo facility was put in place in 2008.

Since its launch, the facility has progressively replaced the existing intraday and overnight repos as a preferred financing solution for local banks.

In addition, the Bank of Namibia prints bills benchmarked on the 91-day Treasury bills rate. These bills are available exclusively to banking institutions.

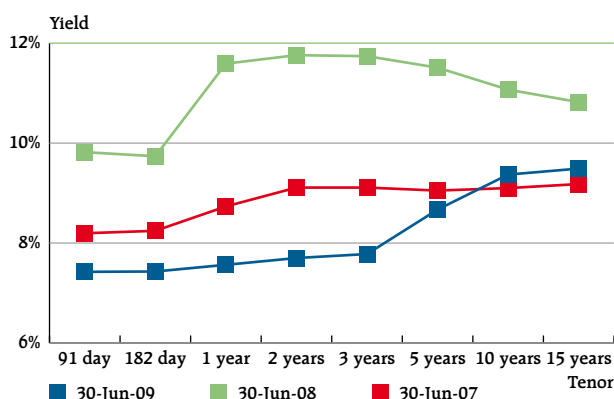
## ► Fixed Income Market

### Government Securities

Government issued paper constitutes a large portion (approximately 67%) of the long-term securities' market in Namibia. This is partly the result of a long-standing Government decision to fund the fiscal deficit in the local market, in order to promote the development of a native financial market. None of the Government bonds are callable or have other special features. The graph below illustrates the Government Yield Curve as of June 30th , 2007, 2008 and 2009.

#### Government securities yield curve as at 30 June, 2007, 2008 and 2009

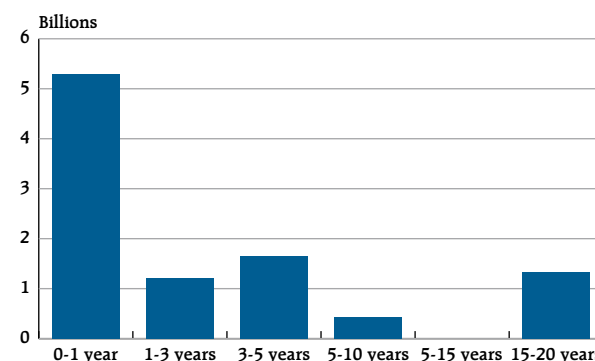
Source: Bank of Namibia



Treasury bills are issued on a discount basis for maturities of 91, 182 and 365 days. The Republic of Namibia issues bonds known as Internally Registered Stock (IRS). The first bonds were printed in 1992 and had maturities of less than six years. Currently, there are four outstanding Government bonds, with a total notional of NAD 5.4 billion. These instruments will mature in 2012, 2015, 2018

and 2024. The 2024 instrument is the longest existing maturity in the market. Since 2006, the Government sets funds aside in a sinking fund for the redemption of maturing bonds: the IRS Redemption Account. This measure ensures that the principal will be available when due for redemption without exerting unnecessary pressure on the financial resources of Government. From the investor's perspective, this account instils greater confidence in the country's ability to repay the principal. The latest three bonds maturing in 2007, 2008 and January 2010 were redeemed using proceeds from this account. Due to the size of the local bond market, close trading ties with South Africa and low bond market liquidity, Namibian bonds are traded at a spread relative to the prevailing yield on the corresponding benchmark bond in South Africa. Government bills and bonds are transacted via a Book Entry System (BES) in which records of ownership are electronically kept.

#### Maturity profile of Government of Namibia securities as at June 30, 2009 (in NAD)



Source: Bank of Namibia

## Non-Government Securities

The issuance of bonds by parastatals, commercial banks and other institutions has increased noticeably in recent years. The total outstanding amount in corporate bonds increased from NAD 360 million in 2004 to NAD 2.7 billion in December 2009. Seven parastatal bonds accounted for 58% of non Government issuances, with the remaining 42% composed exclusively of issues by three commercial banks.

## Intermediaries

The Central Bank acts as an agent for the Government for the issue and redemption of Republic of Namibia bonds. Parastatals, banks or companies are allowed to issue bonds directly.

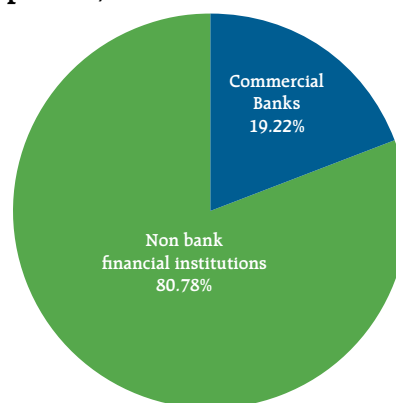
In addition, all bonds are listed on the Namibia Stock Exchange (NSX). Interested participants can buy and/or sell bonds on the NSX through qualified and registered stockbrokers.

The number of secondary market transactions has stepped up in recent years. The turnover ratio for Government bonds increased from 11 % in 2004 to close to 21% during 2009.

## Investors

The investor base is composed primarily of asset managers investing on behalf of pension funds, as illustrated in the chart below. Insurance companies, banks and some larger parastatals are also active institutional investors. Most of these institutions are privately owned with strong links to South Africa.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: Bank of Namibia

The banking sector is quite active and mature. Out of the existing four commercial banks, three are partly foreign owned. In addition, there are a few specialized banks: Agribank (an agricultural bank), Nampost Savings Bank and the Development Bank of Namibia. The combined assets of commercial banks were approximately USD 6 billion in June 2009.

The Namibian insurance sector includes more than 15 long-term insurers, a similar number of short-term insurance companies and one re-insurer. There are close to 40 asset management companies and 10 unit trust management companies. Other non-bank financial institutions comprise 135 pension funds, of which 10 are umbrella funds.

Non-resident capital flows are generally unrestricted.

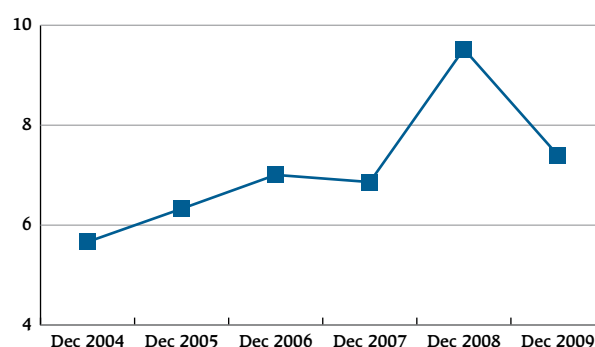
## ► Foreign Exchange Market

Namibia is a member of the CMA together with South Africa, Swaziland and Lesotho. Since the Namibia Dollar (NAD) is pegged at par with the South African Rand, Namibia follows the exchange rate policy determined by the South African Reserve Bank.

Both the Namibia Dollar and the South African Rand are legal tender in the country. The Namibia Dollar is convertible regionally into the Rand, but it is not convertible internationally.

Non-resident capital flows are generally unrestricted; capital, profits and dividends can be repatriated; and exchange control limitations apply to resident capital flows. The graph below provides historical levels of the NAD against the USD.

**NAD per Unit of USD (Year End)**



## ► Derivatives Market

Although Namibia does not have a derivative exchange, there are no restrictions for market participants to conduct over-the-counter derivatives.

## ► Regulation and Taxation

### Regulation

Regulatory oversight is shared between various public institutions. The Bank of Namibia (BON) has regulatory authority for the banking sector in the country. The Namibia Financial Supervisory Authority (NAMFISA) is responsible for the pension sector, the insurance sector and capital markets. Issuance of corporate bonds is also regulated by NAMFISA.

### Taxation

Capital gains are usually not taxable. Determination of the taxability of capital gains falls under the mandate of the Inland Revenue. Capital gains are taxed when they are realised.

The Namibian Income Tax Act exempts interest income from Treasury bills and bonds, received by or accrued to either any person (other than a company) or any external company not carrying on business in Namibia is exempt from tax., from TBs and bonds issued by the Government or any representative authority or local authority in Namibia.

The Income Tax law stipulates that the withholding tax of 10% on interest must be paid for the benefit of the State Revenue Fund by any person (other than a Namibian company).

## ► Clearing and Settlement

Settlements by commercial banks can be made through NISS (Namibia Inter Bank Settlements System), or authorizations to debit the accounts of those banks with the Bank of Namibia. For others, i.e. businesses and individuals, settlement can be made in the form of bank cheques. Personal cheques and cheques certified or guaranteed by banks are not acceptable for settlement. All amounts paid

by individuals exceeding NAD 5 million should be paid through the NISS system.

Successful bidders are required to provide payment at the Bank of Namibia, not later than 10.00 hours on the next business day following the announcement of the allotment on the auction date.

## ► Regulatory Contacts

### Bank of Namibia

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### Namibia Stock Exchange

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Website: [www.nsx.com.na](http://www.nsx.com.na)

# Nigeria



## 2009 at a glance

Population (mn)	154.7
Population growth (annual %)	2.3
Official language	English
Currency	Naira (NGN)
GDP (Current US\$ bn)	173.4
GDP growth (annual %)	3.0
GDP per capita (Current US\$)	1,120.7
Total Debt (US\$ bn)	4.9
Total Debt/GDP (%)	2.8
CPI (annual %)	10.1
Exports of Goods and services (% of GDP)	30.1
Gross Official Reserves (in US\$ bn)	47.2
Gross Official Reserves (in months of imports)	12.3
NGN/ 1 USD (year end)	149.50

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	BB	BB -
Moody's	Not rated	Not rated
S & P	B+	B+

Source: Bloomberg

## ► Summary

- » Government securities yield curve has tenors up to 20 years. The benchmark points are 91 and 182-day for Treasury bills and 3, 10 and 20-year for Treasury bonds.
- » The Debt Management Office (DMO) publishes a quarterly issuance calendar.
- » The secondary market is dominated by banks and discount houses and has increased liquidity.
- » Custody of Treasury bills is with the Central Bank of Nigeria (CBN) while the Central Securities and Clearing System (CSCS) holds the Treasury bonds. Settlement is with the CBN and is at T+1 cycle for Treasury bills and T+2 cycle for Treasury bonds
- » Challenges currently being addressed include the need to develop the interbank bond Repo market and to reduce the high issuance costs for corporate bonds, efforts to address these are at advanced stages.
- » Bloomberg and Reuters codes for market data:
  - Bloomberg: BTMM NG, NGN Curncy, NIGB Corp, NGSEINDX Index.
  - Reuters : NGN/USD, NGNIBOR, NGNFIIX



## ► Monetary Policy and Money Market

### Monetary policy

The aim of monetary policy is to develop a market-oriented financial system for effective mobilization of financial savings and efficient resource allocation. This is achieved by market-based approaches, by targeting monetary aggregates through open market operations for monetary and price stability in the medium term. Other policy instruments include minimum reserve requirements, discount window, foreign exchange intervention and control of the flow of public sector deposits in and out of banks.

The CBN is also mandated to maintain foreign competitiveness of the Naira (NGN), supervise the financial system, act as lender of last resort to the banking system and an advisor to Government.

For the period July 2009 to 31 March 2010, the Central Bank of Nigeria (CBN) influenced the short-term money market rates from overnight to 3 months through caps and floors around the monetary policy rate (MPR). During this period all interbank deposits and pension fund placements were guaranteed by the CBN. These were policy responses to the need to increase interbank liquidity and reduce spreads in the money market.

### Money Market

The 91-day NIBOR is the most frequently used money market benchmark for debt issues with less than 5 years to maturity. This benchmark can be volatile and some issuers and investors have preferred the 91 and 182-day Treasury bills.

## ► Fixed Income Market

### Government Securities

National Treasury bills (NTB) are issued by the Central Bank of Nigeria, with authority from the Debt Management Office (DMO). Tenors issued are 91, 182, and 365-day bills. In the shorter part of the yield curve, issuance emphasis is on the 365-day bills. Treasury bills are auctioned on a weekly basis on a multiple price system and settle on a T+1 cycle. Treasury Certificates (NTCs) are similar to Treasury bills but are medium-term instruments with tenors of 1 and 2 years.

Federal Government of Nigeria Bonds (FGN) have similar issuance guarantees as the Treasury bills and certificates, with tenors of 3-, 5-, 7-, 10and 20-years. All these instruments are fixed rate instruments, issued in accordance with a set issuance calendar. Auctions typically occur once a month and are allotted at a single price. Only primary dealers can take part in primary auctions. Any investor looking to bid for bonds at the auction needs to go through a primary dealer. All Government bonds are listed on the Nigeria Stock Exchange. Bonds are reopened regularly to improve their liquidity.

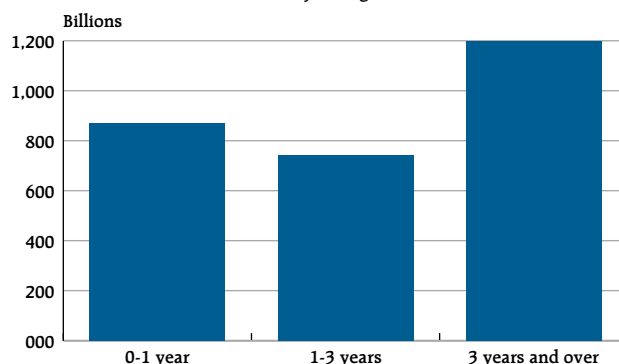
A quarterly calendar is published in advance by the DMO indicating the dates and amounts per tenor to be issued and whether or not the issues will be reopened. Lately

there have been several tenors issued at the same auction. The minimum bid amount for Government bonds is NGN 10,000 (approximately USD 67), with multiples of NGN 1,000 thereafter. Total bonds' outstanding volume as at 30 June 2009 was NGN 2,81 billion (USD 18.8 billion).

Issuance volumes are highest in the short end of the curve( up to 1 year) or for longer-term securities, with maturities exceeding 3 years, as seen in the graph below.

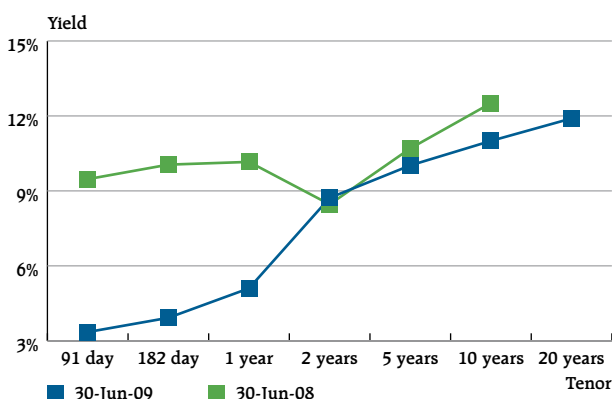
### Maturity Profile for FGN securities as at June 30, 2009

Source: Data from CBN – currency is Nigerian Naira



The graph below illustrates the FGN securities yield curve as at end of June 2008 and 2009.

#### Government securities yield curve as at 30 June 2008 and 2009



Source: Data from CBN

State Government bonds are issued by state Governments for development projects. Ten of the 36 states have issued bonds. The most recent bond issues have been by Kwara, Lagos, Imo, Niger and Kebbi.

Typically these bonds have tenors longer than 1 year and pay a fixed rate at a spread above FGN bonds for comparable maturities. They are backed by the Federal Government of Nigeria and can be used as collateral during Repos with the Central Bank.

The table below provides information on outstanding debt stock per instrument.

#### FGN Domestic Debt Stock Outstanding as at December 31, 2009

Instrument	Amounts in Billions of Naira	Percentage
FGN Bonds	1,974.93	61%
NTBs	797.48	25%
Treasury bonds	392.07	12%
Development Stock	0.52	0%
Promissory notes	63.03	2%
Total	3,228.03	100%

Source: Debt Management Office

#### Non-Government Securities

Historically, manufacturing companies have been frequent issuers of debentures, but have been absent from the market for the past decade as they sought funding from the banking sector and the equity market. Due to the poor performance in the equity market in the last year, many corporate borrowers are considering tapping the fixed income market for funding. A main impediment

to this has been the high issuance cost for bonds in the market. Other impediments include the illiquid nature of the market as well as the unavailability of tax exemption status that is conferred on FGN Bonds. Issuance costs have been reviewed downwards and more issues are expected in the corporate bond market in the coming years.

Companies often finance their operations through Banker's acceptance and Commercial paper (CP) though these are not actively traded at present and there is no liquid market for Negotiable certificates of deposit and promissory notes.

Tenors for Commercial paper are typically 30 to 180 days and are sold either clean or guaranteed. Clean CP will attract higher interest costs to the issuer. The CBN recently restricted the tenure for commercial bank CP for both issuance and rollover to a maximum of 270 days.

Securities and Exchange Commission rules require issuers seeking to enter the bond market to have a local credit rating.

#### Intermediaries

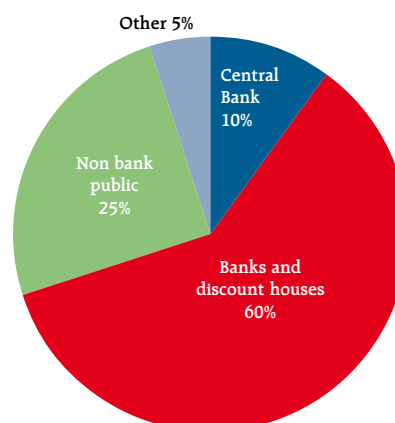
The Primary Dealer System comprises 6 banks and 5 discount houses. These banks and discount houses appointed by the DMO act as authorized dealers in FGN bonds. They are required among other functions to take up, market and distribute primary issues of FGN bonds, and provide for secondary market liquidity in FGN bonds by making two-way quotes in all market conditions.

Brokers usually file applications for the listing of bonds and obtain NSE approval. They also participate in bond trading.

#### Investors

The holdings of FGN bonds by category of investors as of 30 June 2009 were as follows:

#### Holdings by category of investor as at June 30, 2009 (in percent)



Source: Central Bank of Nigeria – June 30, 2009

The banking sector is comprised of 24 deposit money banks, 6 discount houses and 5 development finance institutions. This sector is the major investor in FGN securities with holdings of 60% as at the end June 2009.

There are 19 licensed specialist firms that manage pension funds. The Pension fund industry is required to hold 65% of its investments in Treasury paper. Pension funds can be invested in bonds and any other Government security without limitation. Up to 5% of pension fund assets can be invested in eligible bonds/debt instrument issued by any one State Government. Current holdings of pension funds in FGN securities is estimated at NGN 162.1 billion as of November 2009. There has been growth in pension funds' investment in FGN securities.

Nigeria adopted insurance sector reform as part of its economic restructuring program, which was implemented in several stages during 2004-2007. Insurance Companies can invest up to 100% of their funds in Government securities.

Foreigners are allowed to invest in the bond markets, but are restricted to Government securities with a tenor of 1 year and above. However, holders of longer bonds can invest in instruments of less than a year to maturity such as commercial paper, bankers acceptances and negotiable certificates of deposit. Foreign investors have a lock-in period for the first investment of one year. Banks that receive foreign investments issue certificates of capital importation (CCI) which allow repatriation of investment funds and earnings.

Retail investors access Government securities through mutual funds and sub-accounts of primary dealers. Investors hold individual accounts on the central depository.

The minimum bidding amount for non-competitive bids is NGN 10,000 and the price is determined by demand and supply for the bonds.

### Primary Market

In 2009 alone, the DMO issued different series of FGN bonds going out to a 20-year bond – valued at NGN 726.5 billion. The DMO boosts liquidity in the bond market through the continuous reopening of FGN bonds.

### Secondary Market

Historically, FGN bonds have been trading over-the-counter, although they are listed on the Nigerian Stock Exchange with the purpose of facilitating retail market trades.

The Primary Dealer System has provided significant liquidity to the bond market. The average deal size is estimated at NGN 150 million. Typical daily turnover in the secondary bond market is estimated at around USD 800 million (USD 925 million for NTBs)<sup>1</sup>. For the whole of 2009, the turnover on FGN bonds traded OTC was estimated at NGN 18.51 trillion<sup>2</sup>. FGN bonds, particularly bonds with 3-years (56%), 5-years (40%) and 7-years maturities, continue to dominate secondary market trading.

Securities with combined issuance of less than NGN 75 billion trade in tranches of 50 million whereas those above NGN 75 billion trade in tranches of 100 million. The day-count convention is Actual/Actual.

1 Standard Chartered Bank Report – Guide to Nigeria Domestic Bond Market 2009

2 2009 NSE report

### Domestic Debt Outstanding by Holder as at December 31, 2009 in Billions of Naira

Instrument	Central Bank	Banks and Discount Houses	Non-bank Public	Sinking Fund	Amount Outstanding
FGN Bond	0.00	1,274.48	700.45	00	1,974.93
Treasury Bills	1.90	0.00	644.78	150.80	797.48
Treasury Bonds	258.25	0.00	0.00	133.82	392.07
Development Stock	0.00	0.10	0.32	0.10	0.52
Promissory Notes	63.03	0.00	0.00	0.00	63.03
Total	323.18	1,274.58	1,345.55	284.72	3,228.03
% of Total	10.01%	39.48%	41.68%	8.82%	100.00%

Source: Nigeria Debt Management Office

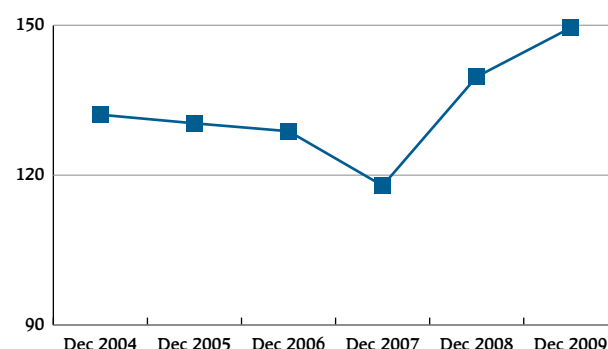
## ► Foreign Exchange Market

The Nigerian Naira is governed by a managed float policy with no stipulated boundaries and is not fully convertible. Intentions of full liberalization have been expressed.

The market is a two-tier market: the CBN-authorized dealer auction market and the interbank market. The CBN window is a managed float via bi-weekly wholesale Dutch auctions to authorized dealers. The interbank market is driven by demand and supply. The spread between the two markets has narrowed significantly over the years as the interbank rates normally follow the CBN-authorized dealer rates. Estimated daily transaction volume approximates USD 100 million with spreads of 100 bps.

The opposite graph provides historical levels of the NGN against the USD.

NGN per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

Foreign exchange forwards are subject to a maximum tenor of three years, compared to 2006 when they were only offered up to 180 days. Authorized dealers are now allowed to engage in swap transactions between themselves or with retail/wholesale customers. These transactions – deliverable forwards and swaps are restricted to a maximum tenor of three years.

The non-deliverable forward market is underdeveloped and has very poor liquidity. Tenors up to 6 months are available.

In 2006, the Abuja Commodities Exchange was set up to develop the trading of futures and options on commodities, although this is yet to become an active market.

## ► Regulation and Taxation

### Regulation

The Securities and Exchange Commission (SEC) is the apex regulator of capital markets, overseeing all operators, activities and transactions in capital markets. The SEC specifically regulates the corporate bond and sub-sovereign bond markets.

The Debt Management Office (DMO) is authorized by statute to issue FGN bonds on behalf of the Federal Government. The DMO also regulates the activities of the bond market and the primary dealers/market makers and has a mandate to carry reforms to make the Government securities market more liquid.

The Central Bank of Nigeria (CBN) is the issuing house and the registrar of FGN bonds.

All financial sector regulatory agencies in Nigeria are part of the Financial Services Regulation Coordinating Committee (FSRCC), which coordinates supervisory activities across the financial sector.

Other regulators are the National Pension Commission (PenCom) and the National Insurance Commission (NAI-COM).

### Taxation

There is no tax on interest earned on Government securities. There is no capital gains tax on investments in the capital markets. Interest on treasury bills is taxed as part of corporate interest income at the corporate income tax rate. Interest income on Non-Government bonds attracts withholding tax of 10% and is also taxed as corporate inter-

est income with consideration of taxes already withheld. A proposal has been forwarded to the FGN to consider applying tax exempt status to sub-sovereign and corporate bond issues. Interest earned on Commercial paper does not attract withholding tax.

Tax rates are the same for both resident and non-resident investors. Nigeria has tax treaties with Czechoslovakia, France, the Netherlands, Pakistan and the United Kingdom.

## ► Clearing and Settlement

The Central Securities Clearing System (CSCS) provides the electronic book-entry clearing of all bonds traded on the NSE and delivers all bonds traded on the OTC market. Settlement is facilitated by the Nigerian Interbank Settlement System (NIBSS). The CSCS holds each individual account separately on the electronic register and therefore each individual investor can have an account with the CSCS or as a sub-account under a general account. Settlement for securities on the CSCS can be done through direct credits into the CSCS accounts of bondholders.

Government bonds settle on a T+2 cycle and are dematerialized. The Central Bank of Nigeria Interbank Funds Transfer (CIFT) enables the different settlement systems to interlink to the Real Time Gross Settlement (RTGS) and enhance delivery versus payment. CIFT is also connected to Euroclear and Clearstream. The CBN is the settlement bank for FGN and sub-sovereign bond issues.

FGN bonds are traded exclusively on the Reuters fixed income trading platform. However, state and corporate bonds are traded solely via OTC (without access to any electronic platform as at the end of 2009).

## ► Regulatory Contacts

### Central Bank of Nigeria

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# Rwanda



## 2009 at a glance

Population (mn)	10
Population growth (annual %)	2.8
Official language	Kinyarwanda French English
Currency	Rwanda Franc (RWF)
GDP (Current US\$ bn)	4.3
GDP growth (annual %)	4.7
GDP per capita (Current US\$)	426.9
Total Debt (US\$ bn)	0.8
Total Debt/GDP (%)	19.6
CPI (annual %)	8.5
Exports of Goods and services (% of GDP)	8.1
Gross Official Reserves (in US\$ bn)	0.6
Gross Official Reserves (in months of imports)	5.0
RWF/ per 1 USD (year end)	571.24



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	B-	B-
Moody's	Not rated	Not rated
S & P	Not rated	Not rated

## ► Summary

- » Rwanda has recently begun developing the necessary regulatory framework for stable and successful capital markets.
- » The fixed income market in Rwanda is at an early stage of development. Most of the existing bond issues are government sponsored and relatively short term, with maturities not longer than three years.
- » In addition to liquidity management instruments such as Treasury Bills, and in order to develop a benchmark yield curve, the Central Bank (National Bank of Rwanda) has lately started to issue longer dated securities.
- » Similarly to many other African countries, the investor base is dominated by commercial banks.
- » Information on interest rates is published in the Central Bank's website.



## ► Monetary Policy and Money Market

The National Bank of Rwanda's main policy goal is price stability. This objective is achieved primarily by maintaining a tight control over money supply. Although no formal review process has been initiated, the Central Bank is discussing the adoption of an explicit inflation-targeting policy.

The Central Bank controls banking sector liquidity via overnight operations, 7-day operations, repurchasing operations and the issuance of Treasury bills.<sup>1</sup>

All policy decisions are taken by a Monetary Policy Committee. There is no pre-established frequency for policy meetings. Actions will be taken when needed and communicated subsequently.

The Central Bank publishes a semi-annual monetary policy review for general information purposes.

<sup>1</sup> African Economic Outlook, Rwanda

## ► Fixed Income Market

### Government Securities

There are two types of Treasury bills available in the market: bills used for liquidity management purposes and bills used to finance the budget deficit. In both cases, the Central Bank is the issuing agent and the maturities range is 13, 26 and 52 weeks. The day discount basis is A/364.

Bills are sold at a weekly auction conducted by the Central Bank. The minimum transaction size for bills and bonds is RWF 50 million for competitive bids and RWF 10 million for non-competitive bids. All subscriptions are denominated in local currency.

In 2008, in an effort to expand the national yield curve and encourage the development of capital markets in the country, the Government issued longer-term Treasury bonds, with maturities of two and three years. These instruments pay a fixed rate coupon and have a bullet type repayment. The proceeds from the sale of Treasury bonds were used to finance the budget.

In addition to rolling over one of the 2-year bonds, the Government plans to issue 3 and 5-year bonds in 2010.

### Intermediaries

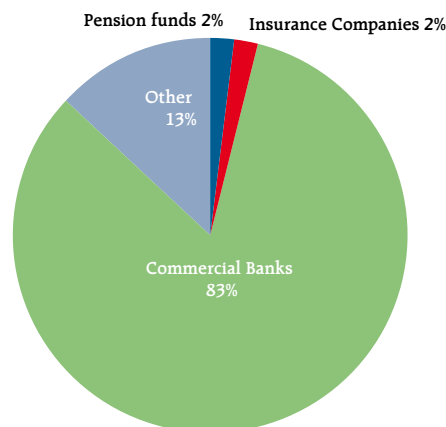
The National Bank of Rwanda is the issuing agent on behalf of the Government. There are no primary dealers at present.

### Investors

The primary market is open to all investors, including residents and non-residents, as long as they have bank accounts in the country.

The investor base is heavily dominated by commercial banks, as seen in the chart below.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: National Bank of Rwanda

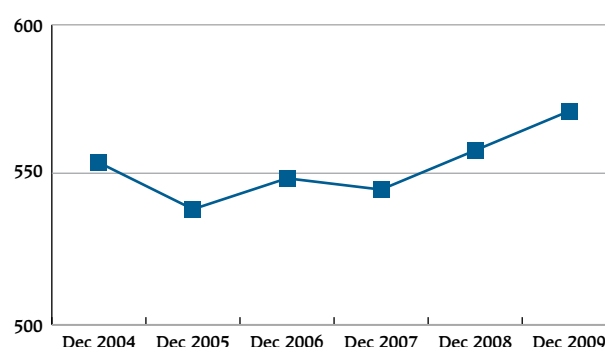
## ► Foreign Exchange Market

The Rwandan franc (RWF) follows a managed float regime. The National Bank of Rwanda has the authority to supervise and coordinate the foreign exchange market. The Central Bank is also responsible for appointing authorized banks and foreign exchange dealers.

There are no exchange controls applicable to repatriation of foreign investments.

The opposite graph illustrates the historical levels of the Rwandan Franc against the USD.

**RWF per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

Although currently there is no derivatives market in Rwanda, there are plans to develop one in the future.

The foreign exchange forward market has been authorized, but is not yet in operation.

## ► Regulation and Taxation

### Regulation

The National Bank of Rwanda regulates the Fixed Income and Money markets.

Capital markets are under the supervision of the Capital Market Advisory Council (CMAC). The council's mission is to establish capital markets in the country.

As part of its statutory mandate, the National Bank of Rwanda regulates and supervises banking activity. In 2007,

the Central Bank was given the mandate of supervision and regulation of non-bank financial institutions including pension funds and insurance companies.

### Taxation

Interest on securities, dividends and capital gains are all taxable by 15%. A capital market policy on tax incentives will soon be presented to lawmakers. It is expected these tax incentives will boost the level of long term savings.

## ► Clearing and Settlement

The Central Bank is in charge of clearing and settlement of Government securities. The delivery process is still manual. The day after the transaction, the Financial

Markets Department of the Central Bank delivers the securities to the beneficiary accounts.



## ► Regulatory Contacts

### **Banque Nationale du Rwanda**

B.P 531

Av. Paul VI KIYOVU KIGALI – RWANDA

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Fax :(+250)572551/577391/572961/576197

E-mail: [info@bnr.rw](mailto:info@bnr.rw)

Website: [www.bnr.rw](http://www.bnr.rw)

### **Capital Market Advisory Council**

Ecobank Building

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P.O. Box 6136 KIGALI – RWANDA

Tel.: (+250) 252 500 335

Website: [www.cmac.org.rw](http://www.cmac.org.rw)

# Sao Tome e Principe



2009 at a glance	
Population (mn)	0.17
Population growth (annual %)	1.6
Official language	Portuguese
Currency	Dobra (STD)
GDP (Current US\$ bn)	0.2
GDP growth (annual %)	4.0
GDP per capita (Current US\$)	1158.3
Total Debt (US\$ bn)	0.08
Total Debt/GDP (%)	40.4
CPI (annual %)	17.2
Exports of Goods and services (% of GDP)	9.7
Gross Official Reserves (in US\$ bn)	N/A
Gross Official Reserves (in months of imports)	N/A
STD/ per 1 USD (year end)	16,814.49

Source: AfDB, Bloomberg

Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## SAO TOME E PRINCIPE



## ► Summary

- » The financial sector of Sao Tome e Principe is very small and composed of a few financial institutions.
- » The sector has expanded significantly since 2002: the number of operating banks increased from one in 2002 to nine by 2008.
- » The Central Bank has actively tried to reform the banking system by implementing stricter requirements on capital adequacy levels and credit management.
- » At present, there is no fixed income market in the country.

## ► Monetary Policy and Money Market

The BCSTP uses foreign exchange auctions as a monetary policy tool to control excessive accumulation of liquidity and thereby control inflation.

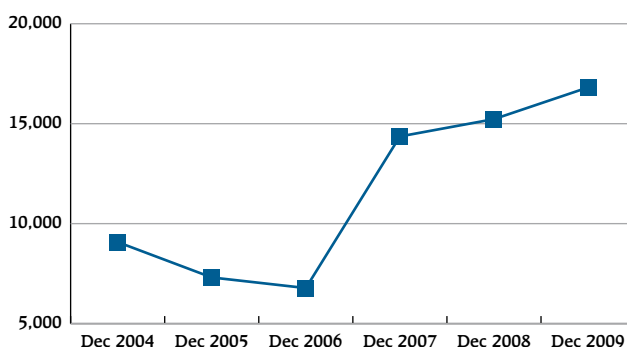
The BCSTP uses foreign exchange auctions as a monetary policy tool to manage excessive accumulation of liquidity and thereby control inflation.

## ► Foreign Exchange Market

The Central Bank is in charge of managing the Dobra (STD) exchange rate. The exchange rate is market based and established via auction sales. The Government is considering the adoption of a fixed currency peg against the Euro. The new currency regime will replicate the peg of the Cape Verde Escudo. The peg will be protected by a standby credit line provided by Portugal.

The opposite graph illustrates the historical levels of the Dobra against the USD.

**STD per Unit of USD (Year End)**



Source: Bloomberg

## ► Regulation

The Central Bank has supervisory responsibilities over all financial institutions, namely commercial banks, asset

management companies, foreign exchange dealers and insurance companies.

## ► Regulatory Contacts

### **Banco Central de Sao Tome & Principe**

CP n°13

Praça da Independencia

Sao Tome e Principe

Phone: 00239-243700

Fax: 00239-222777

E-mail: bcstp@bcstp.st

# Seychelles



2009 at a glance	
Population (mn)	0.08
Population growth (annual %)	0.5
Official Language	English/French/Creole
Currency	Seychelles Rupee (SCR)
GDP (Current US\$ bn)	0.5
GDP growth (annual %)	-10.2
GDP per capita (Current US\$)	6,268.0
Total Debt (US\$ bn)	0.8
Total Debt/GDP (%)	147.6
CPI (annual %)	27.5
Exports of Goods and services (% of GDP)	133.3
Gross Official Reserves (in US\$ bn)	0.09
Gross Official Reserves (in months of imports)	1.1
SCR/ per 1 USD	11.1730

\* Preliminary estimate

Source: AfDB, Bloomberg

Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Fitch	B	B-
Moody's	Not rated	Not rated
S & P	Not rated	Not rated

Source: Bloomberg, Fitch



## ► Summary

- » Government securities yield curve extends to 10 years. Currently, the longest outstanding issue has 6 years to maturity.
- » Treasury bill auctions are announced two months in advance by the Ministry of Finance. Currently, the issuance of Treasury bonds and the publication of the auction calendar have been put on hold.
- » Secondary market trading is very limited.
- » There is a need to diversify the investor base from the dominant banking sector.
- » Custody of domestic Government securities is with the Central Bank of Seychelles and the settlement cycle is T+3.

## ► Monetary Policy and Money Market

### Monetary Policy

Since November 2008, reserve money has replaced the exchange rate as the operating target of monetary policy. Reserve money consists of currency in circulation and commercial banks' deposits held at the Central Bank. Quarterly targets of reserve money are set so as to achieve sustainable monetary growth. Reserve Money is managed via reserve requirements, lending facilities (standing credit facility and emergency lending facility), and open market operations.

The most frequently used money market instrument is the deposit auction rate called the Deposit Auction Arrangement (DAA). It is a market driven rate at which commercial banks lend their excess liquidity to the Central Bank. The rate is set at multiple price auctions that are held every week and tenors for this facility are 7, 14 and 28 days.

## ► Fixed Income Market

### Government Securities

Government of Seychelles Treasury bills are issued for 91 days, 182 days, and 1 year. Auctions are held every Friday and all tenors are offered at each auction. Access to Treasury bills is open to all investors with registration on the central depository and settlement done on T+3. The minimum bidding amount is SCR 5,000, with multiples of SCR 5,000 thereafter. Outstanding amounts at the end February 2010 are provided in the table below.

#### Treasury Bills

Tenor	Outstanding amount (SCR)	Proportion of total bills outstanding
91 day	290,000,000	18%
182 day	568,750,000	35%
365 day	779,300,000	48%

Government bond auctions have been put on hold. Outstanding tenors are for 1, 2 and 6 years. Access to Treasury bond auctions is typically open to all investors, foreign and local, with accounts at the central depository, and settlement is done on T+3 cycle. Outstanding amounts at the end of February 2010 are provided in the table below.

#### Treasury Bonds

Maturity date	Interest rate	Outstanding amount (SCR)	Proportion of total bonds outstanding
December 10, 2010	7%	183,000,000	22%
September 24, 2011	6%	86,800,000	11%
November 22, 2011	8.25%	150,000,000	18%
October 02, 2012	10%	100,000,000	12%
June 04, 2016	8%	293,550,000	36%

### Government Stocks

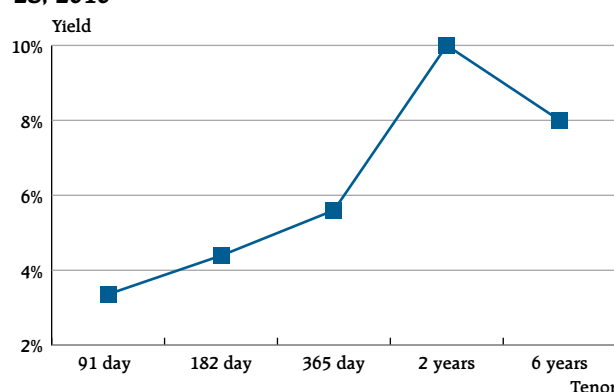
Government stocks are long-term instruments issued by the Seychelles Government for the financing of its capital expenditure for a period of up to ten years. There have been no recent issuances. Outstanding amounts follow in the table below.

Maturity	Outstanding amount (SCR)	Proportion of total stock outstanding
2014	70,000,000	70%
2017	30,000,000	30%

Source: Central Bank of Seychelles

The graph below illustrates the Government securities yield curve.

#### Government securities yield curve as at February 28, 2010



Source: Central Bank of Seychelles

Note: Rates for tenors longer than one year have been amended and fixed at the levels shown above.

## Investors

The banking sector consists of seven commercial banks. Two of the banks are owned by the state: Seychelles Savings Bank is fully state-owned, whereas Nouvobanq is 78% owned by the state and 22% by Standard Chartered Bank. Two commercial banks are branches of foreign banks (Habib Bank and Bank of Baroda) and others (Mauritius Commercial Bank and Barclays Bank) are locally incorporated subsidiaries. BMI Offshore Bank is owned by Nouvobanq and Bank Muscat International of Bahrain, each with 50% holdings. These seven banks held SCR 1.81 billion of the outstanding Government securities as at the end of 2009, approximately 83% of outstanding Government securities.

There are two pension funds in Seychelles, the Social Security Fund and the Seychelles Pension Fund. The pension fund sector held SCR 0.25 billion worth of securities as at the end of 2009, representing 11.3% of the total outstanding amount.

The Central Bank of Seychelles held SCR 1million as at the end of 2009.

There are four licensed domestic insurance companies, namely Sacos Insurance Company Limited, H. Savy Insurance Company Limited, Sacos Life Assurance Company Limited and La Prudence Mauricienne Assurance Limitée. These together held SCR 128 million worth of Government securities. The sector holds 5.9% of outstanding issues.

Retail investors access the market by submitting bids in the primary market at the Central Bank. The minimum bid amount is SCR 5,000.

## Secondary Market

There is very limited secondary market trading. In July 2009, the Central Bank formalized its intermediary role where bondholders willing to exit their positions before maturity are matched with potential buyers.

In recent years, the level of activity was minimal, driven by retail investors on the sell side and pension funds on the buy side.

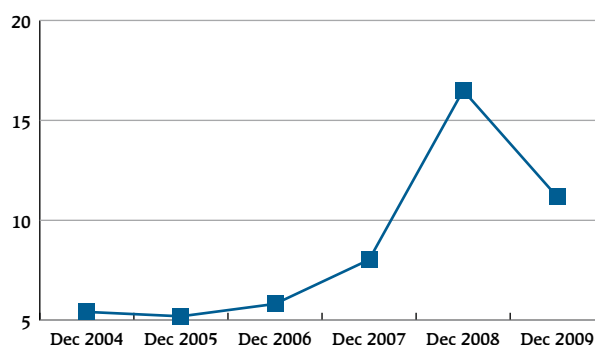
## ► Foreign Exchange Market

The Seychelles Rupee (SCR) is a free-floating currency. The Central Bank will only intervene in the foreign exchange market in the event of a deviation from the established monetary policy objectives. Intervention will be the result of constant appreciation or depreciation of the currency, or deviation from the required currency composition of the foreign exchange reserves.

The Seychelles Interbank Foreign Exchange Market is comprised of the Central Bank of Seychelles and all duly licensed banks, with the exception of those granted solely an offshore banking license. Each participant must have a demand deposit account in SCR with the Central Bank and another account in any traded currency. These inter-bank foreign exchange participants quote on a specifically designed blog site.

The current and capital accounts have been liberalized and there are no restrictions on investment repatriation. Investment proceeds are freely convertible and transferable in and out of the Seychelles.

The graph below provides historical levels of the SCR against the USD.



**SCR per Unit of USD (Year End)**

Source: Bloomberg

## ► Derivatives Market

There is no derivatives market.

## ► Regulation and Taxation

### Regulation

Effective 1 January 2010, the capital markets are regulated by the Seychelles International Business Authority (SIBA). The Central Bank regulates the banking and insurance sectors and the Ministry of Finance regulates the pension fund sector.

### Taxation

Government securities do attract income tax or withholding tax at 5% for residents and 15% for non-residents. Introduction of income tax for corporate bonds is also under consideration. There is no capital gains tax.

## ► Clearing and Settlement

The Central Bank of Seychelles is the custodian of all Government securities. All securities are dematerialized and settle on a T+3 cycle.

## ► Regulatory Contacts

### Central Bank of Seychelles

P.O. Box 701  
Victoria Mahe Seychelles  
Tel: +248 282 000  
Fax: +248 323 665  
Website: <http://www.cbs.sc/>

### Seychelles International Business Authority (S.I.B.A)

P. O. Box: 991  
Bois De Rose Avenue  
Seychelles  
Tel: (+248) 380801  
Fax: (+248) 380888  
E-mail: [steve@siba.net](mailto:steve@siba.net)  
Website: [www.siba.net](http://www.siba.net)

# Sierra Leone



## 2009 at a glance

Population (mn)	5.7
Population growth (annual %)	2.4
Official language	English
Currency	Leone (SLL)
GDP (Current US\$ bn)	2.5
GDP growth (annual %)	3.6
GDP per capita (Current US\$)	433.9
Total Debt (US\$ bn)	0.7
Total Debt/GDP (%)	30.1
CPI (annual %)	12.7
Exports of Goods and services (% of GDP)	14.6
Gross Official Reserves (in US\$ bn)	0.2
Gross Official Reserves (in months of imports)	5.3
SLL/ per 1 USD	3,866.64

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » Sierra Leone's financial system has experienced significant progress after hostilities ceased in 2001. The number of banks, insurance companies and other financial institutions has grown considerably.
- » The fixed income market is still relatively shallow and dominated by central Government issuance.
- » As is the case with other African countries, the investor base is composed almost exclusively of commercial banks.
- » Bloomberg codes for market data: SLGB Corp.



## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank, Bank of Sierra Leone, is responsible for defining monetary policy. The main policy goal is keeping inflation under control.

Since the financial system is still fairly underdeveloped, there are a limited number of policy tools available. The Central Bank primarily uses Treasury bill auctions to implement policy.

## ► Fixed Income Market

### Government Securities

The fixed income market is still at an early stage of development. The only active issuer is the Government which issues Treasury bills on a regular basis through the Bank of Sierra Leone.

The offering of Treasury bills includes securities of 91, 182 and 364 days. Government bills are sold at weekly auctions conducted by the Central Bank. There is also a 1-year long treasury bearer bond available. Ownership of these bonds is verified by the actual bearing of the bond certificate, precluding the need to maintain a central registry of securities.

In an effort to improve debt management, the Government has decided to lengthen the maturity profile of debt instruments by gradually introducing longer-term instruments, i.e. 2-, 3 and 5-years Treasury notes.

### The Intermediaries

Instruments are sold via primary dealers. To be an authorized dealer, institutions must have a depository account at the Central Bank.

### Investors

Commercial banks are the main buyers of Government bills. To date, there are 14 commercial banks operating in the market.

In addition to commercial banks, the National Social Security and Insurance Trust (pension institution), discount houses and insurance companies also buy Treasury bills. Retail Investors participate in the market via commercial banks. At present, foreign investors are not allowed in the market. Nonetheless, the Government is currently reforming its capital markets' regulation and it is expected that the market will open to foreign investors at some point in the near future.

### Secondary Market

Secondary market trading takes place over-the-counter through primary dealers and Repo/Reverse Repo operations conducted by the Central Bank.

## ► Foreign Exchange Market

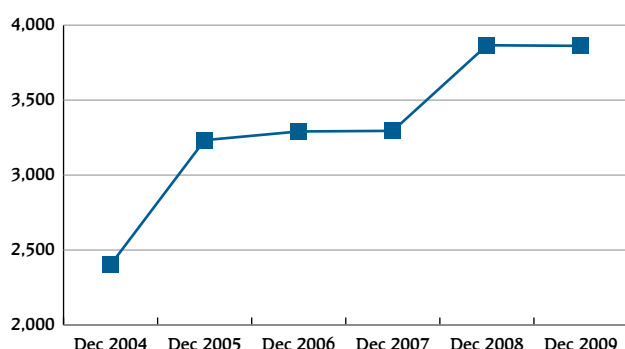
The Central Bank is in charge of managing the Leone (SLL) exchange rate. Although the currency is free-floating and determined by market forces, the stability of the exchange rate in the past and the high frequency of Central Bank interventions result in a currency regime that is akin to a managed float. In 2009, in the follow up to the financial crisis, the Leone depreciated by more than 20%.

In compliance with the West African Monetary Zone exchange rate mechanism, of which Sierra Leone is a member, the target for the official annual average mid

rate is a band of  $\pm 15\%$  from the central rate of 2562.18 Leones to 1 US dollar.

Auctions are conducted every week and are open to various participants, such as commercial banks and importers of goods and services.

The graph below provides historical levels of the Leone against the USD

**SLL per Unit of USD (Year End)**

Source: Bloomberg

## ► Regulation and Taxation

### Regulation

The Bank of Sierra Leone is the regulatory authority in charge of banks, non-bank financial institutions and capital markets.

The insurance market is regulated and supervised by the Commissioner of Insurance. The Commissioner is respon-

sible for the Sierra Leone Insurance Commission, an agency of the Ministry of Finance and Economic Development.

### Taxation

There is a withholding tax of 15% applied to interest earnings.

## ► Clearing and Settlement

The settlement of securities is processed manually through a book entry system and is completed on a same day basis.

Successful bidders must ensure that their current accounts at the Bank of Sierra Leone are sufficiently funded on

settlement day to meet the settlement obligations. These accounts are debited with the aggregate settlement price of all Treasury bills successfully bid for at the auction.

## ► Regulatory Contacts

### Bank of Sierra Leone

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Sierra Leone

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Fax: +232-22-224764

E-mail: [info@bankofsierraleone-centralbank.org](mailto:info@bankofsierraleone-centralbank.org)

Website: [www.bankofsierraleone-centralbank.org](http://www.bankofsierraleone-centralbank.org)

# Somalia



## 2009 at a glance

Population (mn)	9.1
Population growth (annual %)	2.3
Official language	Somali
Currency	Somali Shilling (SOS)
SOS / 1 USD (Year End)	1,484.03

Source: AfDB, Bloomberg

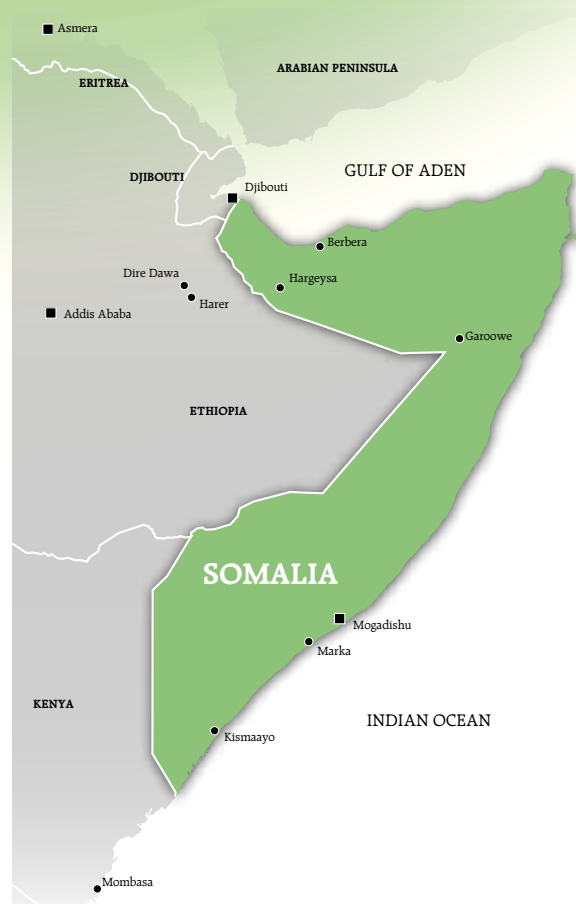
## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: AfDB, Bloomberg

## ► Summary

- » Following the downfall of the central Government in 1991, regional and internal conflict and humanitarian crises have plagued Somalia; public infrastructure was left in ruins, social services and all state institutions that provided financial services collapsed, livelihoods were disrupted and a large number of people were displaced.
- » There is no fixed income market in Somalia.



## ► Monetary Policy and Money Market

In the absence of formal commercial banking activities, all economic transactions, including very large investment transactions are settled through cash payments.

## ► Macroeconomic Environment

In the past 18 years, the Somali economy has showed great resilience given the political instability in the country. Real economic growth is estimated to have averaged 2.6% for the last three years. The major contributing sectors

are agriculture (65%), industry (10%) and services (23%). There is heavy dependence on external remittances for consumption and investment.

## ► Overview of Financial Sector

Prior to the civil war, Somalia's formal financial sector comprised the following institutions: the Central Bank of Somalia, the Commercial and Savings Bank of Somalia, the Somali Commercial Bank, the Cooperative Bank of Somalia, the Somali Development Bank and the State Insurance Company of Somalia.

Currently, the financial system is composed of the Central Bank of Somalia, remittance companies, and microfinance institutions.

The Central Bank's role includes acting as fiscal agent to the Treasury, supervising commercial banks and others financial institutions, and the issuing of currency.

Remittance companies are the only financial services providers in the country for the majority of households and for the whole of the private sector.

## ► Inflation and Exchange Rates

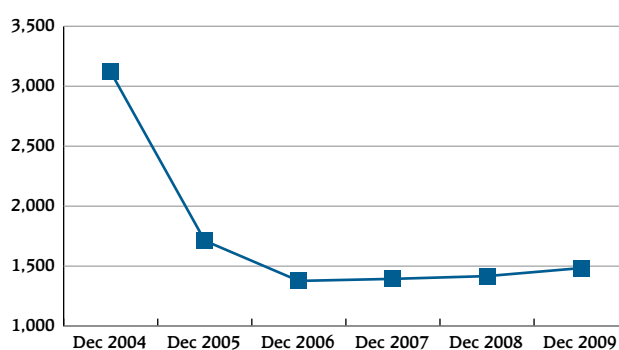
The Somalia shilling has appreciated against the USD during the last 5 years from SOS 3100/ 1 USD to SOS 1500/ 1 USD at the end 2009.

Alongside the Somali shilling, the US dollar is widely accepted as a medium of large and high value transactions, even for local trade exchange.

Inflation rates over the past 18 years have been staggeringly high, due to the injection of foreign and local printed currency (counterfeit) into the economy, higher fuel prices and food insecurity.

The opposite graph illustrates the historical levels of the SOS against the USD.

**SOS per Unit of USD (Year End)**



Source: Bloomberg

## ► Regulatory Contacts

### Central Bank of Somalia

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P. O. Box 11 – Mogadishu, Somalia  
Tel: +2521-240162  
Fax: +2521-241152  
E-mail: [info@somalbanca.org](mailto:info@somalbanca.org)  
Website: [www.somalbanca.org](http://www.somalbanca.org)

# South Africa



## 2009 at a glance

Population (mn)	50.1
Population growth (annual %)	0.9
Official language	11 including English and Afrikaans
Currency	Rand (ZAR)
GDP (Current US\$ bn)	265.5
GDP growth (annual %)	-2.2
GDP per capita (Current US\$)	5,297.3
Total Debt (US\$ bn)	75.1
Total Debt/GDP (%)	28.3
CPI (annual %)	7.2
Exports of Goods and services (% of GDP)	32.4
Gross Official Reserves (in US\$ bn)	35.1
Gross Official Reserves (in months of imports)	5.3
ZAR / 1USD (Year end)	7.3980

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	A	BBB+
Moody's	A3	A3
S & P	A+	BBB+

Source: Bloomberg

## ► Summary

- » The most developed fixed income market in Africa with annual listed bond turnover above 15 times.
- » Government securities yield curve extends out to 26 years with liquidity concentrated in two issues: the R157 (matures 2014/15/16) and the R186 (matures 2025/26/27).
- » Increase in the issuance of domestic Government bonds (15.5% year-on-year in 2009) and corporate debt to cover the fiscal deficit and corporate capital investments.
- » The relaxation of Foreign Exchange Control regulation has recently gained speed with a move to prudential regulations.
- » In 2008, 27% of secondary market trading recorded by the exchange was by non-residents, down from a peak of 36% in 2006.
- » A major challenge is capturing the offshore bond trades into the local market liquidity, pricing and trading system.
- » Johannesburg Stock Exchange Ltd took over the Bond Exchange of South Africa Ltd in 2009.
- » Retail savings bond programme has taken off successfully.
- » Bloomberg codes for market data: BTMMSA<go>

## ► Monetary Policy and Money Market

### Monetary Policy

The South African Reserve Bank (SARB) conducts monetary policy within an inflation targeting framework. The current target is for CPI inflation to be within a range of 3 to 6% conducted within a flexible inflation targeting framework. The SARB adopted the Inflation Targeting monetary policy framework in 2000. Monetary Policy Committee (MPC) members meet every 2 months to review interest rates. In the aftermath of the financial crisis, the MPC met monthly to enable faster adjustment of policy if necessary. The SARB creates a liquidity requirement in the money market which it then refinances at the Repo rate determined by the MPC. The Central bank accepts two categories of Repo collateral:

Category 1 Rand denominated T-bonds and T-bills, SARB debentures, Land Bank bills and Government securities STRIPs.

Category 2 – comprised of some bonds in the All Bonds Index (top 20 listed bonds by market capitalization and liquidity). These include, amongst others, some of Development Bank of South Africa (DBSA), ESKOM and TRANSNET Issues.

Other monetary policy instruments are Cash Reserve Requirements, Reserve Bank Debentures, long-term reverse Repos, and foreign exchange swaps.

### Money Market

The Johannesburg Interbank Agreed Rate (JIBAR) is the money market rate that is used by the South African market, and is calculated by the JSE. Ten banks are polled daily for their bid and offer rates on 3, 6 and 12 month rates. The middle of the bid-offer range for each is taken and the two lowest and two highest of the ten are discarded. The remaining six are averaged to obtain the daily rate for each tenor.

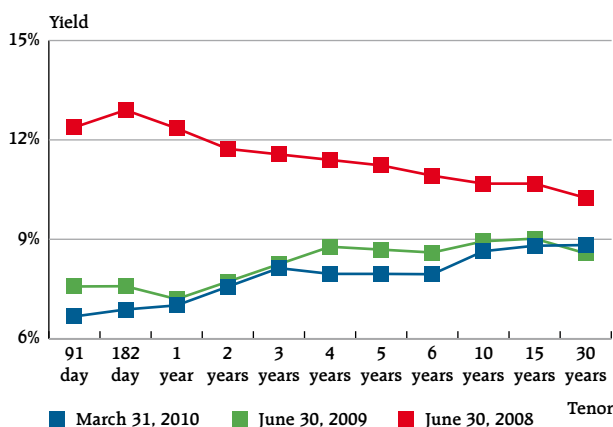
## ► Fixed Income Market

### Government Securities

The National Treasury (NT) issues Treasury bills with tenors for 91, 182, 273 and 365 days. Auctions are usually held weekly on Fridays, but T-bills may also be issued by private placement or any other means chosen by the NT. Minimum bids are for ZAR 1,000,000, with multiples of ZAR 100,000 thereafter. Direct access is through the Money Market Internet System (MMIS) to registered users.

Republic of South Africa (RSA) Government Bonds are issued primarily to support the fiscal budget. Tenors with the largest outstanding sizes and liquidity are the R186 (approximately 14.5%), maturing annually in three equal tranches from 2025 to 2027, and the R157 (approximately 12.5%) also maturing annually in three equal tranches from 2014 to 2016. An issuance calendar is drawn up to facilitate coordination for public sector borrowing with state-sponsored and corporate issuers. This is exclusively a wholesale market with more sophisticated investors and systems, hence only primary dealers may take part in primary auctions of RSA Government bonds.

Government securities yield curve as at 30 June 2008, 2009 and 31 March 2010



Source: JSE Ltd

The RSA retail savings bonds are better suited to the retail investors as a direct investment with a minimum investment amount of ZAR 1,000 up to a limit of ZAR 5,000,000.

### Non-Government Securities

Municipal Bonds are issued by city councils for development projects with tenors typically longer than one year. The City of Johannesburg Municipality is the most active

issuer in this category, followed by the City of Cape Town Metropolitan Municipality. Only if they qualify for the all-bond-index (ALBI), which they do not at the moment, can they be used as collateral when trading Repos with the South African Reserve Bank. Municipal bond issues are not guaranteed by the central Government. Secondary market trading is very rare.

Parastatal and corporate issuers are very active in the primary market for both short-term and long-term debt, the most noteworthy being ESKOM, Transnet and SANRAL. Other key issuers are the commercial banks, mortgage houses, asset finance houses, as well as off-balance sheet SIVs like securitizations and conduits.

The Commercial paper (CP) primary market is very active and is tapped by corporate issuers and state-owned companies. The definition of Commercial paper in South Africa has less to do with its tenor, and CP in South Africa can have a maturity longer than one year.

### Intermediaries

A Primary Dealer System was adopted in 1998 and the members provide on-demand continuous and effective two-way prices in Government securities. Trades are largely transacted over-the-counter (voice brokered) and are subject to counterparty risk. However, trades are reported and matched on exchange in what was previously a BESA offering. Trades settle on a T+3 basis even though same day settlement is possible.

There are eight primary dealers, among which are the largest South African banks: ABSA Bank, Investec Bank, Nedbank Ltd, Rand Merchant Bank (a division of Firststrand Bank) and Standard Corporate and Investment Bank. Overall, there are 53 members in the bond market segment, 12 of which are banks.

There are three inter-dealer brokers (IDBs), two of which are foreign-owned. The IDBs fulfil a vital intermediary role amongst the dealers and therefore contribute towards liquidity. They also provide pre-trade price transparency from their screens. The JSE's Yield-X offers a central-order book system for trading in bonds, which was developed as an alternative to the BESA offering. The Yield-X offering comprises a risk management system with settlement assurance via SAFCOM, which acts as a lender of last resort. Trades are thus margined and payment of the margin occurs through the Clearing Member. To date, this has not been the preferred trading method of the market. However, the JSE's Interest Rate Division, as part of its strategic review, will evaluate all existing systems in order to offer the market the most desirable solution.

### Investors

The banking sector is comprised of 5 locally controlled banks, 7 foreign banks and 15 branches of foreign banks registered in terms of the Banks Act. As of September 2009, banks held ZAR 34 billion in short-term Government stock and ZAR 72 billion in long-term Government stock. They also held ZAR 84 billion in Treasury bills.

The total assets of official pension and provident funds as at the second quarter of 2009 were ZAR 815 billion, while the total assets of private self-administered pensions and provident funds at the same date were ZAR 520 billion.

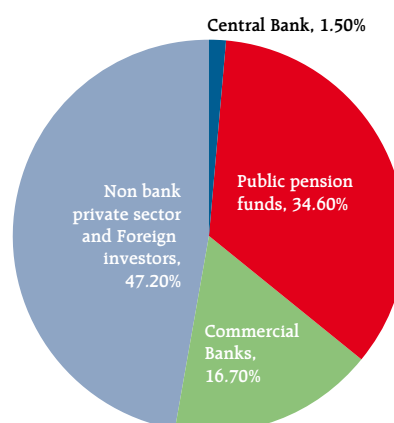
Total assets of long-term insurers were ZAR 1,341 billion as at the second quarter of 2009, while the assets of short-term insurers were ZAR 85 billion.

Total assets at book value of unit trusts as at the end of the third quarter of 2009 were ZAR 717 billion.

There are no restrictions on the participation of foreign investors in the debt markets and the market has been opened to foreign issuers under certain criteria. In October 2006, the Mauritius Commercial Bank made a debut issue in RSA and raised ZAR 350 million on BESA (the first regional or international inward listed bond in South Africa), which was facilitated by the further relaxation of exchange controls in 2006. A couple of foreign issues have taken place since; notably, in 2008, the first supranational bond was listed in South Africa by the African Development Bank.

Retail access to the fixed income market is mainly through mutual funds managed by the numerous investment management firms. Individuals may also buy bonds through brokers provides they transact in sizeable amounts. Balanced portfolios that include other bonds and asset classes are readily available as product offerings to retail and institutional investors.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: SARB



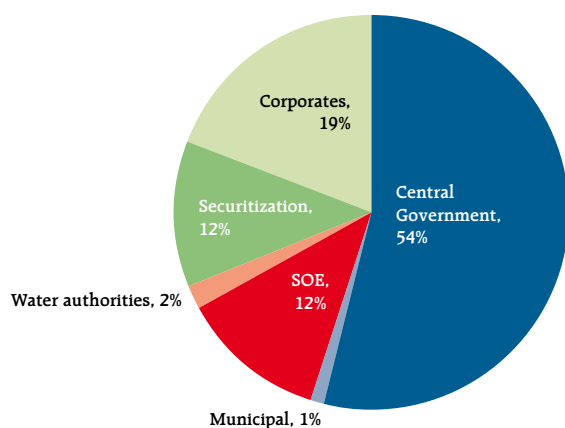
## Primary Market

The National Treasury issues vanilla bonds on a weekly basis (every Tuesday) and CPI-linked bonds (every Friday) via auctions open to primary dealers. The Government advises ahead of time which bonds and how much of these bonds will be offered to PDs via newswires, e.g. Reuters and Bloomberg.

By mid-2009, the nominal value of all listed bonds measured ZAR 855 billion and there were 1065 issues by 104 different issuers. Notwithstanding the dominance of Government debt, which comprised 53% of listed debt, there is a growing share of corporate debt.

Corporate debt, including securitizations, accounts for just over 30% of total issuance. Banks are the foremost issuers in the private sector. The share of issuance by state-owned enterprises, currently 12%, is set to increase over the next few years as these roll out aggressive investment plans. Corporate issuance, on the other hand, has suffered a moderate setback following the global financial crisis. Municipal debt issuance is still very low, accounting for less than 1% of total bonds listed.

**Listed debt by category of issuers as at end June 2009 (in percent)**



Source: JSE Ltd

Price discovery and liquidity is greatly facilitated by the interdealer brokers.

## Secondary Market

The secondary market is a wholesale market dominated by banks and fund management firms. It is liquid, although that liquidity is largely concentrated in a few Government issues, such as the R157 (2014/15/16) and the R186 (2025/26/27). Approximately 85% of turnover is accounted for by trades in Government paper. Corporate bonds do not trade much, with most investors in these instruments adopting a buy-and-hold strategy.

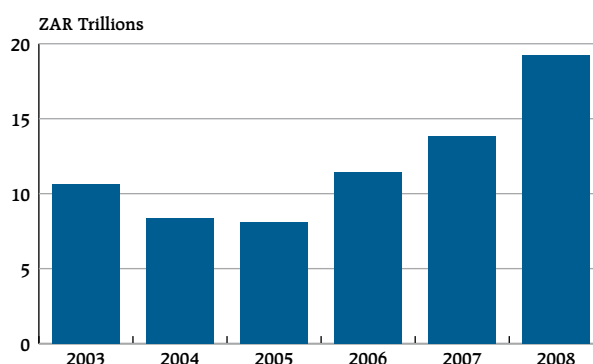
A turnover of 2009 was ZAR 13.4 trillion, which followed a record turnover of ZAR 19.2 trillion recorded on BESA in 2008, and ZAR 13.8 trillion in 2007.

Nearly two-thirds of trades that occur in the local market are Repo trades. Non-members of the local exchange are able to trade RSA bonds offshore OTC. Figures show that such trades have grown considerably over the past few years, although they have moderated substantially following the global financial crisis. In 2008, non-resident transactions accounted for 27% of the turnover recorded by the exchange, down from a peak of 36% in 2006.

Average turnover velocity (turnover-to-listings ratio) dropped off sharply during the first half of 2009, from 24.3 to 16.5.

Pre-trade, the JSE updates a screen on Reuters, I-Net Bridge and Bloomberg which shows the market the pricing on offer from market participants. The screen is called BESA bonds and only provides the pricing information for Government and parastatal bonds. Post-trade, the JSE disseminates end-of-day reports containing pricing information. For instance, the JSE disseminates mark-to-market information on most instruments listed and traded on the exchange and also trade-by-trade reports that show all the trades that have taken place during the day and the relevant yield to maturity, without disclosing the identities of the trading parties.

## Trend in Secondary Market Trading



Source: JSE Ltd

While bonds are exchange traded, a significant amount of swap and options trade takes place in the Over-the-Counter (OTC) market.

## Fixed Income Market Indices

**BEASSA total return indices** – comprising the all bond index (ALBI), the Government bond index (GOVI) and the other bond index (OTHI). The ALBI is made up of the top 20 listed bonds, ranked by market capitalization and liquidity. The GOVI comprises those RSA bonds of the

ALBI in which the primary dealers are obliged to make a market. The OTHI comprises the remainder of the bonds in the ALBI. All these indices measure the total return of representative bond portfolios, and provide benchmarks for historical performance.

**BESA money market index** – an index against which money market portfolios can be benchmarked. The index provides a benchmark for money market investors that replicates market behavior.

**Standard Bank credit indices** – these comprise the credit fixed, credit floating, and credit composite indices (a weighted average index of the previous two). These indices

provide an independent measure of the performance of a market sampling that encompasses most of the credit sector. They can be used to compare the performance of individual credit instruments that are neither issued nor guaranteed by central Government. As such, most of the constituent instruments are issued by private sector organizations.

**South African hedge fund index (by Clade & BESA)** – an index created to represent all the open hedge funds in the South African market. It provides investors with a replicable benchmark showing returns from investing in a hedge fund index.

## ► Foreign Exchange Market

The South African Rand (ZAR) is a freely floating unitary exchange rate since 1995. Restrictions on non-resident capital flows were fully liberalized in 1995 and restrictions on residents are gradually being relaxed. Only fully licensed authorized dealers are permitted to deal in foreign exchange in South Africa.

SARB is in charge of exchange control and delegates some responsibility to authorized foreign exchange dealers. SARB has a stated policy of not intervening in the Forex market or using interest rates to influence the value of the currency, but may buy USD from time to time to shore up reserves when conditions permit.

The main markets are spot, options, forwards and swaps in USD/ZAR. The market is also available for EUR/ZAR and GBP/ZAR.

### Investor Exchange Control Regulations

- » A resident needs SARB prior approval to borrow funds from a non-resident.
- » Firms with more than 75% non-resident owned or controlled have local borrowing restrictions linked to the company's net worth and amount of non-resident ownership.
- » There are no restrictions on profit, interest, dividend and branch profit repatriation. However, director's fees, management fees and royalties require SARB approval.
- » Dividends and interest payments for non-residents are exempt from taxes.

- » Non-residents are permitted to hold foreign currency accounts.

### Turnover in the Foreign Exchange Market

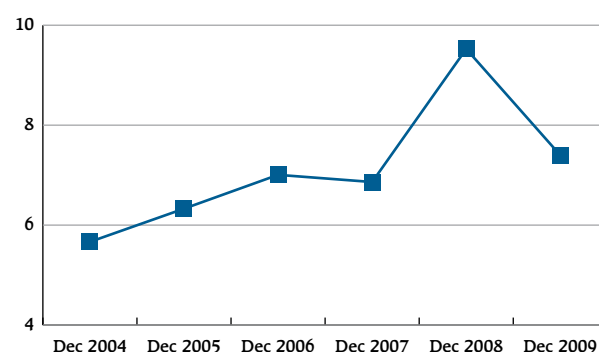
The average daily net turnover in millions of US dollar for the three years is as follows:

Year	Average daily turnover (US\$ Million)
2006	10,871
2007	12,555
2008	12,778
To June 2009	13,210

Source: SARB

Note: These figures include spot, forward and SWAP transactions against the South African Rand.

### ZAR per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

Interest rate swaps are available from 2 to 30 years. The pricing for forwards and futures on bonds is as per the existing Government bond tenors. Currency futures and options on futures are also available in the market and pricing is available in near, middle and far tenors for these.

**Forward rate agreement** – the market is liquid up to ZAR 500 million, with bid/offer spread of 10 bps. Tenors go out to 2 years and average daily volume is ZAR 6 billion.

The JSE provides the following interest rate derivative products for trading on the exchange:

- » **J-FRAs** – futures on FRAs (forward rate agreements) quoted on the fixed rate of the underlying contracts; all have a duration of 3 months.
- » **Bond futures and forwards** – these are offered on all Government bonds listed: R157, R186, R201, R203, R204, R206, R208, and R209.
- » **J-NOTES** – standardized exchange traded futures contracts on notional underlying swaps, in near (2 years), middle (5 years) and far (10 years) contracts.
- » **J-GOVIS** – futures and options on the total return Government bond index, in near, middle and far maturities.

- » **J-ALBI** – futures and options on the total return other bond index, in near, middle and far maturities.
- » **J-ILBI** – futures and options on the Barclays/BESA Government inflation-linked bond index, in near, middle and far maturities.
- » **J-SWAPS (bond look alike swaps)** – these are exchange traded and settled swaps of a NACS 6-month interest rate on the fixed side against the 3-month JIBAR.

**FX forwards** – the market is liquid with an average transaction size of USD 50 million. Spreads are 20 bps but are volatile, with tenors of up to 10 years. Average daily volume is USD 1 billion.

**FX options** – the market is less liquid. Transaction sizes average USD 25 million and tenors go out to 5 years.

**Cross currency swap** – the market is liquid up to USD 30 million and is available up to 10 years. Spreads average 15 bps.

## ► Regulation and Taxation

### Regulation

The Financial Services Board (FSB) is responsible for overseeing the regulation of the financial markets, such as the JSE and all financial institutions (insurers, brokers, etc). This, however, excludes banking institutions, which fall directly under the responsibility of the South African Reserve Bank.

### Taxation

There is no withholding tax on bonds, but interest earned on bonds is taxable as part of interest income to the investor.

South Africa has entered into double taxation agreements with most of its trading partners, including Austria, Belgium, Canada, Cyprus, Denmark, France, Germany, India, Ireland, Israel, Italy, Japan, Korea, Malta, Mauritius, the Netherlands, Norway, Singapore, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and the United States.

Stamp duty at 0.25% is payable on certain agreements, such as leases and mortgage bonds.

## ► Clearing and Settlement

Strate is the authorized Central Securities Depository for the electronic settlement of all financial instruments in RSA. Strate is the custodian for debt instruments, of which virtually 100% are dematerialized (they are recorded in an electronic securities register format).

The settlement procedures depend on the instruments being listed, i.e. short versus long-dated issues. Bond trades are settled on a T+3 rolling settlement. Settlement is guaranteed by settlement banks on settlement commitment. The country's settlement model is compliant with the G30 recommendations on clearing and settlement.

On-exchange trades, which are trades reported by members and clients to the JSE via its BTB system, settle on a

net basis. All these trades are regulated by the JSE and they have to be reported to the JSE system within 30 minutes of the trade being concluded. BESA, as the bond market was known previously, adopted the G30 standard of trade netting for the settlement of most types of transactions in 1990. It was implemented in 1995 and dramatically reduces settlement risk while also simplifying the process.

Off-exchange trades (OTS off-shore trade settlement) occur OTC and are concluded between off-shore clients. They are then reported via Strate participants into the Strate Bonds System for settlement and OTS bond settlements are thus regulated by Strate. This OTC market settles on a gross trade-by-trade basis.

## ► Regulatory Contacts

### Johannesburg Stock Exchange

One Exchange Square, Gwen Lane, Sandown, 2196 Private Bag X991174, Sandton, 2146, Republic of South Africa  
Tel: +27-11-520 7000  
Website: [www.jse.co.za](http://www.jse.co.za)

### South African Reserve Bank

370 Church Street, Pretoria 0002, P.O. Box 427, Pretoria, 0001, RSA Tel: +27-12-313-3911  
Fax: +27-12-3133197 or 27-12-3133929  
Website: [www.reservebank.co.za](http://www.reservebank.co.za)

### The Financial Services Board,

Rigel Park, 446 Rigel Avenue South, Erasmusrand, Pretoria, RSA  
Tel: +27-12-4288000  
Fax: +27-12-4280221  
E-mail: [info@fsb.co.za](mailto:info@fsb.co.za)

# Sudan



## 2009 at a glance

Population (mn)	42.3
Population growth (annual %)	2.2
Official language	Arabic
Currency	Sudanese Dinar (SDD)
GDP (Current US\$ bn)	50.9
GDP growth (annual %)	3.8
GDP per capita (Current US\$)	1,196.6
Total Debt (US\$ bn)	36.7
Total Debt/GDP (%)	72.6
CPI (annual %)	10.2
Exports of Goods and services (% of GDP)	16.5
Gross Official Reserves (in US\$ bn)	0.7
Gross Official Reserves (in months of imports)	0.8
SDD / 1USD (Year end)	235.26

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » Financial contracts must comply with Islamic law or Sharia.
- » The Government securities yield curve extends to 6 years with issuance points at 2, 3, 5 and 6 years.
- » Securities are issued at the beginning of each quarter, and as required by the Ministry of Finance.
- » Instruments are issued for liquidity management, fiscal policy, and the development of capital markets.
- » Sukuk clearing and settlement is on a T+8 cycle.
- » All trading of securities is conducted via the Sudan Financial Services Company (Ltd).

## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of Sudan's (CBOS) policy aim is to maintain monetary and financial stability by achieving a one-digit inflation rate and by targeting a balanced growth in money supply.

The CBOS uses reserve requirement and open market operations as policy instruments. The CBOS also has an investment window through which Islamic banks can

access bridge financing in cases of seasonal financing gaps or for the implementation of CBOS announced policies.

The Murabaha financing margin is set at approximately 9% for 2010 as an indicator per annum for the financing transactions in local and foreign currency. However, this rate does not apply to Murabaha operations in microfinance. The Central Bank of Sudan issues a circular on how to calculate the Murabaha profits.

## ► Fixed Income Market

### Government Securities

The Government of Sudan introduced the economic Islamic system in 1983 which prohibited the 'riba' (interest or usury). This has influenced the way business transactions and investments are made. Financial contracts must comply with Islamic law or Sharia.

### Instruments

Government Musharaka Certificates (GMCs) are similar to conventional Treasury bills and consist of securities based on Islamic Sharia Fundamentals. They are issued

by the Ministry of Finance and National Economy (MFNE) on behalf of the Government of Sudan. The marketing is carried out by Sudan Financial Services Company (Ltd) and the authorized agency companies. Access to GMCs is open to banks, local investors, foreign investors, companies, individuals and financial institutions, and settlement is done on T+1.

#### Issuance of GMCs for the last three years

Year	Number of auctions	Maturity period in years	Duration of profit distribution in months	Total number of certificates issued	Total amount in SDG millions	Average annual rate of return
2007	4	1	12	8,446,201	4,223.1	15.9%
2008	4	1	12	11,022,653	5,511.33	15.8%
2009	4	1	12	14,765,179	7,432	15.8%

Source: Bank of Sudan

#### The auction day and frequency of auctions for GMCs is as follows:

Day of first version	Beginning of the subscription	End of the subscription
First of January	First of February	After 10 days from beginning
First of April	First of May	After 10 days from beginning
First of July	First of August	After 10 days from beginning
First of October	First of November	After 10 days from beginning

Source: Bank of Sudan

Government Investment Certificates (GICs) are similar to conventional Government bonds and are based on Islamic Sharia issued by MFNE on behalf of the Government of Sudan. Like the GMCs, they are managed and marketed in the primary market through Sudan Financial Services

Co (Ltd). GICs auctions are held as and when required by the Ministry of Finance and National Economy. Access to GICs is open to banks, local and foreign investors, companies, individuals and financial institutions, and tenors are 2, 3, 5, and 6 years.

### Issuance of GICs for the last three years

Year	Number of auctions	Maturity period in years	Duration of profit distribution in months	Total number of certificates issued	Total amount in SDG millions	Average annual rate of return
2007	5	2-6	6	4,250,102	425	16%
2008	3	3	6	1,969,143	197	16%
2009	1	3	6	3,000,000	300	16%

Source: Bank of Sudan

### Objectives of Government Securities issuance in Sudan:

- » managing liquidity at the macro economic level through open market operations within the ambit of Islamic Sharia;
- » financing part of the deficit in the general Government budget which is usually covered by borrowing from the Central Bank;
- » development of a savings and investment culture that is Sharia compliant;
- » introducing Islamic financial paper to help develop the capital markets in Sudan and in the region.

Central Bank Igarah Certificates (CICs) are additional Islamic certificates based on Islamic Sharia issued by the Central Bank of Sudan and managed in the primary market by the Sudan Financial Services Co (Ltd). The first issues were to finance the construction of the Central Bank and its branches. Subsequent auctions are held as and when required for liquidity management. Access to CICs is restricted to commercial banks only.

### Central Bank of Sudan Igarah certificates (CICs)

Year	Total certificates held with ebos and banks	Certificates sold	Certificates purchased	Net balance of certificates with banks
2007	243,871	867,000	682,600	184,400
2008	243,871	521,365	314,740	206,625
2009	243,871	25,137	5,000	20,137

Source: Bank of Sudan

### Non-Government Securities

The following instruments have been issued in the corporate bond market:

- » Bank of Khartoum Igarah Certificates;
- » Financial Investment Bank Certificates based on Mudaraba and Musharaka Sukuk;
- » Global International Company Musharaka Sukuk.

### Intermediaries

The Sudan Financial Services Company (Ltd.) represents the primary market for Sukuk. The Sukuk must trade on the stock exchange and there are 40 brokerage firms for the Sukuk in the market.

### Primary Market

There is no minimum competitive bidding amount. When demand exceeds the available supply for securities, the Sudan Financial Services Company will make restrictions to the amounts offered to individuals and banks.

### Secondary Market

Trading in the secondary market takes place over-the-counter and is dominated by transactions in GMCs.

## ► Foreign Exchange Market

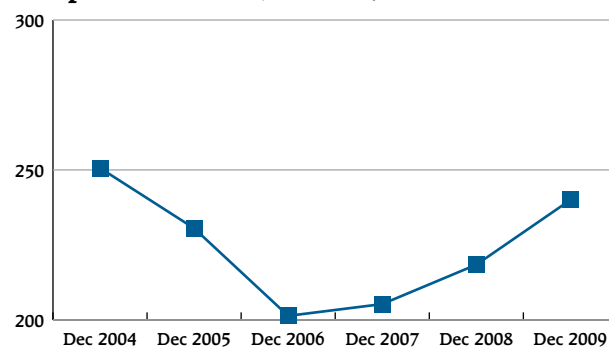
The foreign exchange policy is a managed flexible exchange rate regime. The CBOS is considering broadening the number of currencies with which to align the SDD. As part of this consideration, the CBOS is gradually implementing a plan of switching from using the US dollar

as a main currency for external transactions to a basket that is anchored to the Euro.



The opposite graph illustrates the historical levels of the SDD against the USD.

**SDD per Unit of USD (Year End)**



Source: Bank of Sudan

## ► Regulation and Taxation

### Regulation

The financial sector is regulated by the Central Bank of Sudan.

### Taxation

Interest income is subject to income tax at 15% for corporate securities. There are no income taxes for Government

securities. There are no exemptions available to specific investors and no difference in tax treatment between resident and non-resident investors.

## ► Clearing and Settlement

The Sudan Financial Services Company (Ltd.) carries out the clearing and settlement functions of Government Sukuk trading. All Sukuk are held in electronic form and

the settlement cycle from trading and settlement and transfer of securities is T+8.

## ► Regulatory Contacts

### Bank of Sudan

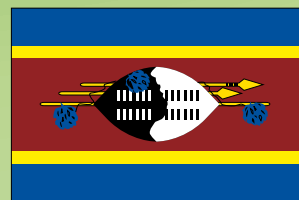
Gamaa Avenue, P. O. Box 313, Khartoum, Sudan  
 Tel: + 249-18-7056000  
 Fax: +249-18-3787223  
 E-mail: [mainbranch@bankofsudan.org](mailto:mainbranch@bankofsudan.org)  
 Website: [www.bankofsudan.org](http://www.bankofsudan.org)

### Khartoum Stock Exchange

P.O. Box 10835,  
 Khartoum, Sudan  
 Albaraka Tower,  
 5th Floor, Khartoum, Sudan  
 Tel: +49-18-782450/782390  
 Fax: +249-18-782225  
 Website: [www.khartoumstock.com](http://www.khartoumstock.com)



# Swaziland



## 2009 at a glance

Population (mn)	1.2
Population growth (annual %)	1.5
Official language	Siswati/English
Currency	Lilangeni (SZL)
GDP (Current US\$ bn)	2.8
GDP growth (annual %)	0.4
GDP per capita (Current US\$)	2,401
Total Debt (US\$ bn)	0.5
Total Debt/GDP (%)	17.8
CPI (annual %)	8.8
Exports of Goods and services (% of GDP)	82.4
Gross Official Reserves (in US\$ bn)	0.8
Gross Official Reserves (in months of imports)	4.9
SZL/ per 1 USD	7.3980

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » Government securities issues are shorter term 91-day Treasury bills.
- » The fixed income market is relatively shallow.
- » The investor base for new bond issues is primarily composed of banks.
- » Reuters code for market data: SWAZ.

## ► Monetary Policy and Money Market

### Monetary Policy

Swaziland is a member of the CMA, a monetary union which has the South African Rand as the common currency. Although the Central Bank of Swaziland retains responsibility for monetary policy, its discount rate is closely aligned to South Africa's rate. South Africa, therefore, effectively formulates the monetary policy within the CMA region.

The Central Bank's discount rate is the main operational variable and the Bank of Swaziland uses open market operations as a monetary tool. The instruments applied include 91-day Treasury Bills, as well as 28 and 56-day Central Bank bills.

## ► Fixed Income Market

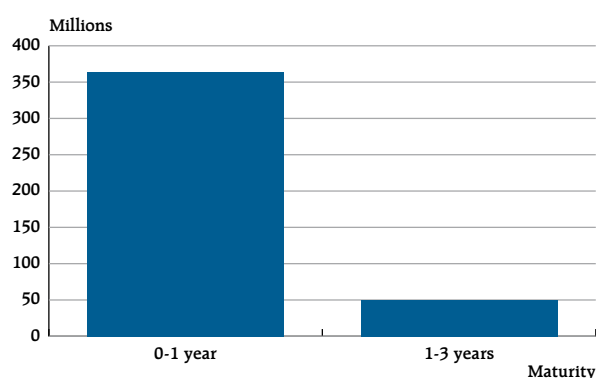
### Government Securities

The Central Bank, on behalf of the Government of Swaziland, issues 91-day Treasury bills on a weekly basis. From April 2008 to March 2009, there were 52 auctions for a total notional amount of SZL 1.56 billion.<sup>1</sup> The vast majority of Treasury bills sold were purchased and held by commercial banks. No bills were traded in the secondary market.

The Government bills' auction takes place every Wednesday, with results published the following day on the Central Bank's website or on the Reuters page SWAZ. Treasury bills are offered on competitive and non-competitive bids, for a minimum investment size of SZL 5,000 and SZL 10,000 respectively. Participation in the auction is open to all, including individuals and non-residents. Bids can be placed via primary dealers appointed by the authorities.

There are two Government bonds (SG004 and SG007) currently outstanding that will mature in 2010 (as illustrated in the table below). These bonds were issued in 2004 and 2007. Since 2007, the Government has not undertaken any further debt financing via a bond issue.

**Maturity profile of Government of Swaziland securities as at June 30, 2009 (in Emalangeni)**



Source: Central Bank of Swaziland

### Non-Government Securities

The number of companies using bond issuance as a financing tool is still limited. They include Standard Bank (STD), Newera Partners (NWR) and Inyatsi Construction (ICL).

In 2008, the Swaziland Stock Exchange (SSX) approved the listing of a medium-term note (MTN) program for Inyatsi Construction. The program size is SZL 70 million. To date, five note tranches have been issued (ICL01, ICL02, ICL03, ICL04 and ICL05) for approximately 67% of the full notional amount. Prior to that, a private equity company had undertaken an SZL 200 million MTN, which matured in early 2009. Subsequently, the SSX approved a new MTN program of the same value in April 2009. One tranche of approximately SZL 41 million has already been listed under the new program.

In December 2009, the SSX approved a Note Issuance Program (NIP) of SZL 80 million by a commercial bank, Standard Bank Swaziland Limited (STDSZ01). So far, SZL 30 million has been raised through private placements.

<sup>1</sup> Source: Central Bank of Swaziland Annual Report 2008-2009

The table below sets out debt instruments issued in the country.

### Issued Debt Instruments

Instrument	Coupon (%)	Redemption Date	Nominal Value (E)
<b>Government Bonds</b>			
SG004	13.98	31-Aug-10	25,000,000
SG007	14	31-Aug-10	25,000,000
<b>Corporate Bonds</b>			
STD001	9.73	15-Sep-15	35,000,000
STD002	9.73	15-Sep-15	15,000,000
NWR02	11.5	15-Mar-10	10,000,000
NWR05	13.85	28-Feb-09	5,000,000
NWR07	14.6	15-Mar-09	65,000,000
NWR06	14.5	15-Oct-10	20,000,000
NWR09	14.5	31-May-09	5,167,527
NWR10	15.5	27-Jun-11	24,806,395
NWR11	14	18-Dec-09	34,334,000
NWR12	15	23-Dec-10	20,000,000
NWR13	14.5	13-Jan-10	156,000
NWR14	15.5	13-Jan-12	17,625,000
ICL01	13.85	15-Sep-09	10,388,000
ICL02	12.5	15-Sep-09	5,055,000
ICL03	13.75	15-Mar-15	16,000,000
ICL04	9	19-Oct-12	5,000,000
ICL05	9	1-Dec-12	10,350,000
STDSZ01	8.7	14-Dec-19	30,000,000

Source: Central Bank of Swaziland Annual Report 2008-09

### Intermediaries

The primary dealers for Treasury bills are Standard Bank of Swaziland, Nedbank (Swaziland Limited) and Swaziland Development and Savings Bank (Swazi bank).

Government and Corporate bonds are transacted in the stock exchange (SSX).

The SSX authorizes brokers to be market makers. Such brokers receive mandates from clients and are not allowed to deal for their own accounts.

## ► Foreign Exchange Market

The South African Rand (ZAR) is the legal tender in all countries of the Common Monetary Area. Nonetheless, each country still retains the right to print its own currency, which may be used as legal tender inside its borders. Under the CMA agreement, the local currency Emalangeni (SZL) is pegged at par to the South African Rand.

### Investors

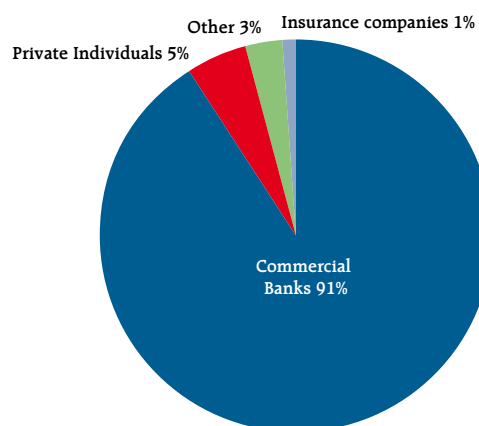
The Investor base is composed primarily of banks, as illustrated in the chart below. The main operators are the state-owned Swaziland Development & Savings Bank and three South African banks: First National Bank, Nedbank and Standard Bank.

There also non-bank financial institutions such as insurance companies and pension funds investing in the fixed income market. The Swaziland Royal Insurance Corporation (41% Government-owned) has practically a monopoly over the insurance sector. Recently, two South African insurance companies, the Old Mutual and Metropolitan, have started tapping into the market.

The Swaziland National Provident Fund and the Public Service Pension Fund dominate the pension fund sector. A few small private pension and provident funds also operate in the market.

Individual investors can participate in the market via primary dealers (in the case of Treasury bills) or through a broker. Non-residents are eligible to purchase Treasury bills and other Government securities, however, their investments are subject to exchange controls, as is the case in South Africa.

### Holdings by category of investor as at June 30, 2009 (in percent)

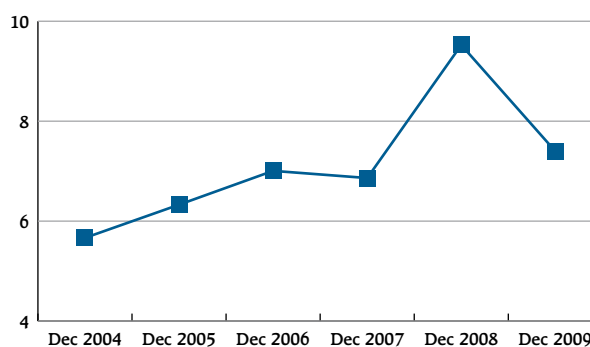


Source: Central Bank of Swaziland

All CMA member countries apply the same exchange control regulations: non-resident capital flows are generally unrestricted; capital, profits and dividends can be repatriated; and exchange control limitations apply to resident capital flows.

The opposite graph provides historical levels of the SZL against the USD.

**SZL per Unit of USD (Year End)**



Source: Bloomberg

## ► Regulation and Taxation

### Regulation

The Central Bank of Swaziland has regulatory oversight of the banking sector, with the Capital Market Development Unit designated with specific monitoring authority of the capital markets. These consist of a small bond market and the Swaziland Stock Exchange

The Bond market is governed by the CMA member rules and SSX Listings Requirements sanctioned by the SSX

Committee which is constituted of market participants, in the absence of the requisite legislation.

### Taxation

There is no capital gains tax in the country. There is a 10% tax on interest payments to both resident and non-resident holders of fixed income instruments.

## ► Clearing and Settlement

Settlement for bids (in relation to Treasury bills and CBS bills) is T+2.

Settlement of Government and corporate bonds is on a T+5 cycle.

There is no central depository. Transactions are settled through transfer secretaries who are members of the stock exchange.

## ► Regulatory Contacts

### Central Bank of Swaziland

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Mbabane, Swaziland. Tel: +268-408-2000  
Fax: +268-404-0038  
E-mail: [info@centralbank.org.sz](mailto:info@centralbank.org.sz)  
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### Swaziland Stock Exchange

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E-mail: [siphod@centralbank.org.sz](mailto:siphod@centralbank.org.sz)  
Website: [www.ssx.org.sz](http://www.ssx.org.sz)

# Tanzania



## 2009 at a glance

Population (mn)	43.8
Population growth (annual %)	2.9
Official language	Kiswahili/English
Currency	Tanzanian Shilling (TZS)
GDP (Current US\$ bn)	19.6
GDP growth (annual %)	5.1
GDP per capita (Current US\$)	449.0
Total Debt (US\$ bn)	7.0
Total Debt/GDP (%)	35.7
CPI (annual %)	9.4
Exports of Goods and services (% of GDP)	20.9
Gross Official Reserves (in US\$ bn)	2.9
Gross Official Reserves (in months of imports)	4.6
TZS/ per 1 USD	1,339.50

Source: AfDB, Bloomberg

## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg



## ► Summary

- » Government securities yield curve has tenors up to 10 years.
- » No declared official benchmark for any bill or bond, but all tenors up to 5 years are liquid and the 364-day Treasury bill is the most traded on the secondary market. Available maturities are: 35-, 91-, 182-and 364-days, and 2-, 5-, 7and 10-years.
- » Auctions of Treasury bills and bonds are announced one week before issuance in local papers and on the Bank of Tanzania (BOT) website. There is no official auction calendar with tenors and amounts. Treasury bill auctions are held fortnightly, whilst Treasury bond auctions take place once a month.
- » Foreign investors are restricted from investing in the local bond market.

## ► Monetary Policy and Money Market

### Monetary Policy

The Bank of Tanzania (BOT) conducts monetary policy by targeting monetary aggregates, with the aim of achieving price stability. The policy instruments used are open market operations, refinancing policy, cash reserve requirements and foreign exchange intervention. Open market operations are the priority monetary policy tool used by the BOT.

The Central Bank holds consultations with the Government on policy and reports twice a year on developments

to the Finance Minister and to Parliament. Monetary policy on a day-to-day basis is managed by the Liquidity Management Committee while the Monetary Policy Committee deals with the more long-term monthly perspective.

### Money Market

The money market comprises Treasury bills, repos, the interbank cash market and the interbank foreign exchange market.

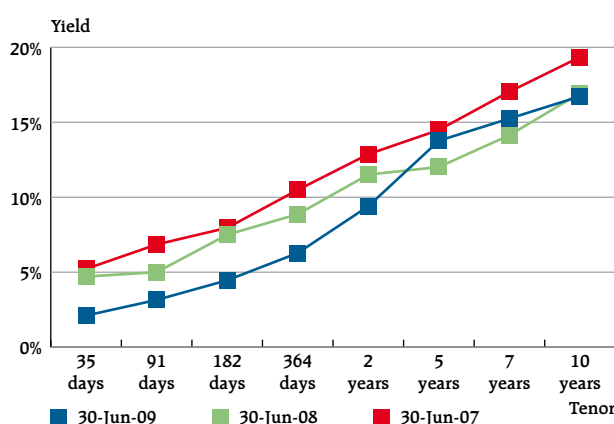
## ► Fixed Income Market

### Government Securities

Treasury bills are issued by the Bank of Tanzania on behalf of the Government of Tanzania for deficit financing and liquidity management. Tenors issued are 35-, 91-, 182-, and 364-day bills. Auctions are held every two weeks and all tenors are offered at each auction. Typical issue sizes range from TZS 65 to 130 billion. Minimum bid size is TZS 500,000 when bidding through primary dealers and TZS 5,000,000 for direct bidders with multiples of TZS 10,000. Settlement takes place on a T+1 basis. The outstanding stock of Treasury bills as of 30 September 2009 was TZS 299 billion.

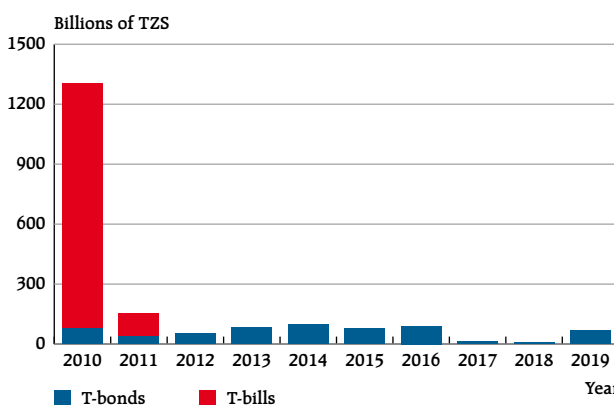
Tanzania Government Bonds are currently issued primarily as fiscal policy instruments, but also serve to lengthen the maturity profile of Government debt and the yield curve (that is illustrated in the graph below), and increase the number of tradable instruments in the market. Tenors issued are 2-, 5-, 7 and 10-years. Auctions are held once a month under a multiple price system and are announced a week before the auction day. Issue sizes range from TZS 20 to 50 billion. The minimum bid size is TZS 1,000,000 when bidding through primary dealers and TZS 5,000,000 for direct bidders with multiples of TZS 100,000. Treasury bonds are offered to Tanzanian residents only. The outstanding stock of Treasury bonds as of 30 September 2009 was TZS 1.85 trillion.

**Government securities yield curve as at 30 June 2007, 2008 and 2009**



Source: Bank of Tanzania

**Maturity profile for Government securities as at end Feb 2010**



Source: Data from Bank of Tanzania

## Non-Government Securities

Parastatal and corporate issuers are not very active and have had seven issues since 2003. Six of the issuers have been financial institutions, namely the East African Development Bank (bond worth TZS 15 billion), PTA Bank (TZS 15 billion), Barclays Bank Tanzania Ltd (TZS 10 billion), Standard Chartered Bank Tanzania Ltd (TZS 8 billion), BIDCO Oil, and Soap Co. Ltd. The maturities so far have extended to seven years.

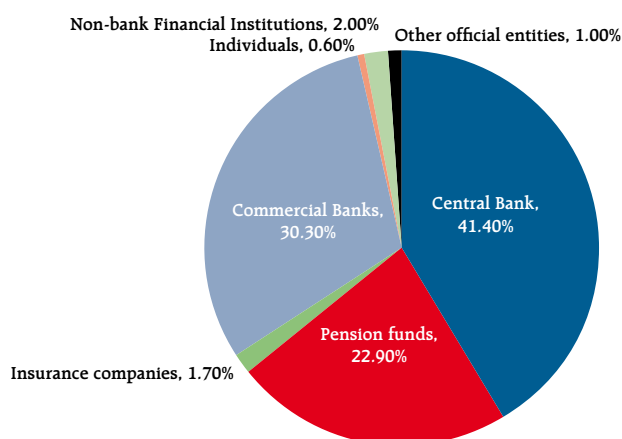
## Intermediaries

Commercial banks are registered as primary dealers. They have no obligation to provide two-way quotes and also do not have exclusive access to auctions in the primary market. There are some brokers within the East African region that seek levels on Treasury bills and bonds on the Money Market. It is not known with certainty whether any transactions occur through their intermediation. Bank dealers often call each other directly for Treasury bills and bonds.

## Investors

The chart below illustrates the holdings of Government securities.

**Holdings by category of investor as at June 30, 2009 (in percent)**



Source: Bank of Tanzania

The banking sector holdings account for 30.3%/TZS 733 billion of total domestic debt as of 30 September 2009.

The pension fund sector has six pension funds holding 22.9%/TZS 554 billion of total domestic Government debt as of 30 September 2009.

There were 18 insurance companies registered in Tanzania. According to the BOT quarterly bulletin, insurance companies held 1.7%/TZS 41 billion of total Government debt stock as of 30 September 2009.

Foreign investors are not allowed to participate in both Treasury bill and Treasury bond auctions, but this is scheduled to change by 31 December 2012 according to a signed East Africa Community agreement. Foreigners can invest in corporate bonds traded on the Dar es Salaam stock exchange.

Retail investors access the market mainly through collective investment schemes, of which there are three currently. Retail investors can also submit bids through primary dealers and maintain subaccounts under primary dealers.

## Secondary Market

In principle, Treasury bills can be traded over-the-counter, but Treasury bonds must be traded on the exchange. However, the practice seems to be OTC trading for bonds as well, which are then reported to brokers for registration on the stock exchange.

The day-count convention is actual/365 and the daily turnover is estimated at TZS 1.5 billion.

The 2-year bond is the most actively traded tenor.

## ► Foreign Exchange Market

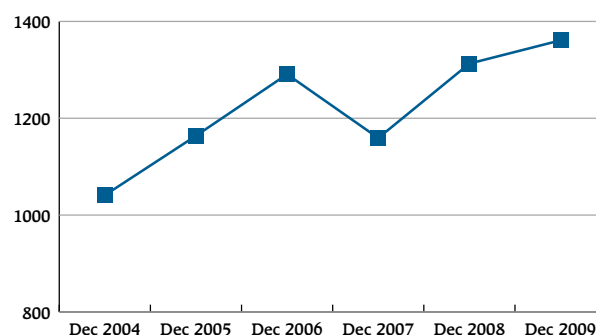
The Tanzania shilling (TZS) has a managed float unitary exchange rate. Tanzania does not have a fully liberalized capital account and therefore has restrictions to capital flows. The interbank foreign exchange market is comprised of 30 banks, 18 of which transact through Reuters dealing with two-way quotes applicable up to USD 100,000. The main market is the spot market for TZS/

USD; the forward market is fairly short-term, but is developing. There is also an available market for TZS/EUR and TZS/GBP.



The opposite graph provides historical levels of the TZS against the USD.

**TZS per Unit of USD (Year End)**



Source: Bloomberg

## ► Derivatives Market

Several OTC transactions have taken place in the market. Short-term forward currency transactions and interest rate swaps can be structured by banks for their clients.

## ► Regulation and Taxation

### Regulation

Capital markets are regulated by the Capital Markets and Securities Authority (CMSA) created in 1996. The role of the CMSA is to regulate the issues and issuers in the capital market as well as develop the market. Whilst the issuance of Treasury bills and bonds is under the supervision of the Bank of Tanzania, guidelines for the issuance of corporate bonds are set and enforced by the Capital Markets & Securities Authority (CMSA) in consultation with the BOT.

BOT is responsible for the licensing, supervision and regulation of the banking system.

The Social Security Regulatory Authority (SSRA), the regulatory body for the pension industry, was officially

created in June 2009 and will become fully operational after the recruitment of board members.

The insurance sector is regulated by the Tanzania Insurance Regulatory Authority (TIRA) created in 2009.

### Taxation

Government securities attract withholding tax on interest income at a rate of 10%. Interest income earned from investment in 2-year Treasury bonds is subject to withholding tax, while income on investment in 5-, 7 and 10-year bonds is exempt from withholding tax. Likewise, corporate bonds with maturities extending to three years and above are exempt from withholding tax on interest income. All bonds listed on the DSE are exempt from capital gains tax.

## ► Clearing and Settlement

The BOT introduced an electronic book entry system in 1999, with settlement of T+1 for Government securities in the primary market. In 2004, the BOT also launched the Real Time Gross Settlement system that greatly improved the efficiency with which transfer of large amounts of

funds is accomplished. The market also operates on a Delivery versus Payment and Payment versus Payment basis. The Bank of Tanzania Electronic Clearing House facilitates the exchange of both physical paper and electronically registered securities.



## ► Regulatory Contacts

### Bank of Tanzania

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Fax: +255-22-2113325  
E-mail: [info@hq.bot-tz.org](mailto:info@hq.bot-tz.org)  
Website: [www.bot-tz.org](http://www.bot-tz.org)

### Capital Market and Securities Authority

P.O. Box 75713, Dar-es-Salaam, Tanzania  
Tel: +255-21-2113903, 2114959-61  
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E-mail: [capmarkets@cats-net.com](mailto:capmarkets@cats-net.com)

### Dar-es-Salaam Stock Exchange

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Twiga Building, 4th Floor, Samora Avenue, Dar-es-Salaam, Tanzania  
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Website: [www.darstockexchange.com](http://www.darstockexchange.com)

# Tunisia



## 2009 at a glance

Population (mn)	10.3
Population growth (%)	1.0%
Official language	Arabic
Currency	Tunisian Dinar (TND)
GDP (Current US\$ bn)	41.3
GDP growth (annual %)	3.1
GDP per capita (US\$)	4,024.2
External Debt (US\$ bn)	20.9
External Debt/GDP (%)	50.6
CPI (%)	3.2
Exports of Goods and services (% of GDP)	52.6
Gross Official Reserves (in US\$ Bn)	10.6
Gross Official Reserves (in months of imports)	6.0
TND/ 1 USD (year end)	1.3237

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Fitch	A-	BBB
Moody's	Baa2	Baa2
S & P	A-	BBB

Source: Bloomberg

## ► Summary

- » Government yield curve has tenors up to 15 years with five benchmark points along the curve.
- » Growing and diversified investor base with marginal presence of foreign investors.
- » Weekly and Monthly Auctions of Treasury bills and bonds respectively.
- » Average size of transactions on the secondary market was TND 0.38 million in 2008.
- » In 2007, the foreign investors' participation in a single public or private debt issue was increased up to 20% of the half-year projected outstanding amount.
- » Bloomberg and Reuters codes for market data:
  - Reuters: BCTX
  - Bloomberg: TNWE

## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank of Tunisia, Banque Centrale de Tunisie (BCT), formulates and implements monetary policy. The BCT conducts open market and Repo operations, using the monetary base as an operating target and inflation as an intermediate operating target. In addition to monetary aggregates and credit monitoring, monetary policy is based on diversified indicators closely linked to inflation, notably import prices and the output gap.

In the medium term, the Central Bank plans to switch to an inflation-targeting policy.

The Monetary Policy Committee (MPC) meets weekly. Unless there is an extraordinary event that requires early intervention, the BCT's Board meets on a monthly basis.

### Money Market

Repo, Certificate of Deposits, and Commercial Paper are the main components of the Tunisian money market. All money market instruments are dematerialized.

The money market benchmark rate is the "Taux Moyen Mensuel du Marché monétaire" (TMM), which is reset on a monthly basis.

## ► Fixed Income Market

### Government Securities

The fixed income market comprises short-term Treasury bills (Bons du Trésor à Court Terme BTCT), bonds equivalent to Treasury bonds (Bons du Trésor Assimilables – BTA), and corporate obligations. These securities are fully dematerialized and have tenors ranging from 13 weeks to 15 years for public securities and from 5 to 25 years for corporate obligations.

The Government of Tunisia, through its issuing agent the Treasury, regularly issues debt<sup>1</sup>. Short-term Treasury bills (BTCT) are issued through weekly (but on an irregular basis) auctions for 13-, 26 and 52-weeks tenors. BTCT are issued through bids of TND 1,000 each and reimbursable at maturity. Interest is calculated and paid at the issuance date.

Bonds equivalent to Treasury bonds (Bons du Trésor Assimilables – BTA and BTZc) are issued on a monthly basis for tenors between 2 and 15 years. Both are issued through bids and are reimbursable at maturity.

The main characteristics of Government debt issuance are summarized in the table below:

#### Auction details

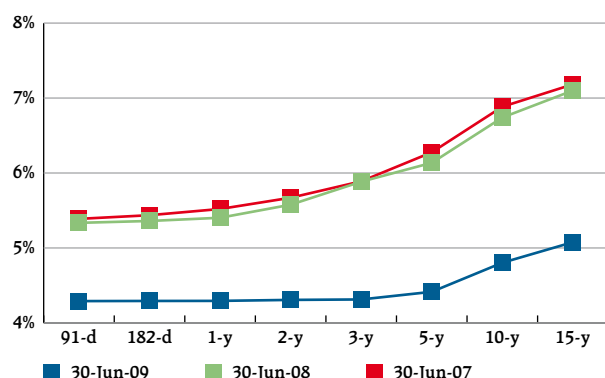
	T-bills	T-bonds
Auction frequency	Weekly, on Thursdays	Monthly, the first Tuesday
Auction method	Dutch	Dutch
Settlement cycle	T+7	T+7
Access	Through 13 Primary Dealers	
Minimum bid amount	n/a	
Foreign investors	Up to 20% of each half-year provisional outstanding issue	

As of 30 September 2009, the total outstanding debt is TND 7.035 billion, of which 82% is Government obligations and the remaining corporate debt. More than 63% of Government debt matures within five years, 32% between 5 and 10 years, and 5% above 10 years. Interest is payable annually, with bullet repayment of the principal. 93% of outstanding Government securities are fixed rate instruments and the remaining securities zero-coupon obligations.

The following graph describes the change in the Tunisian Government yield curves over the last three years, highlighting the impact of the financial crisis in 2009 on the one hand, and the decrease in the BCT's key policy rate in early 2009 on the other hand, resulting in a drop of yields across all maturities in July 2009.

<sup>1</sup> The Treasury ceased issuing transferable T-bills (which were instruments of the money market), as well as negotiable T-bonds.

### Government securities yield curve as at 30 June 2007, 2008 and 2009



Source: Banque Centrale de Tunisie (BCT)

### Non-Government Securities

Most major Tunisian corporations issue debt throughout the year, depending on the liquidity available in the capital markets. Municipalities are allowed to issue debt in the capital markets, however, to date they have not issued any debt. Financial institutions are the most active among non-Government issuers.

### Intermediaries

Local and foreign investors have access to the primary and secondary debt market through primary dealers assigned by the Ministry of Finance. Primary dealers must subscribe at least 4% of the annual Treasury bonds and 3% of the annual Treasury bills issuances.

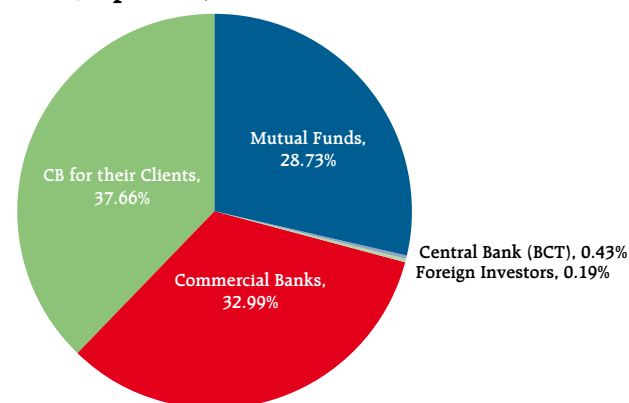
The BCT participates in the secondary market through open market transactions and Repo operations that influence the interbank benchmark rate.

### Investors

The Tunisian debt market is relatively active with a diversified investor base, namely commercial banks, mutual and pension funds, the BCT and foreign investors.

Commercial banks and mutual funds are major investors, accounting for more than 60% of holdings of Treasury bills and bonds as of 31 July 2009. The participation of foreign investors and the BCT has been marginal over the last two years, as seen in the chart below.

### Holdings by category of investor as at June 30, 2009 (in percent)



Source : Banque Centrale de Tunisie (BCT)

### Primary Market

The Tunisian Government (via the Treasury), major corporations and financial institutions regularly issue debt in the capital market in order to match their financing requirements.

### Secondary Market

The fixed income secondary market is illiquid, despite a slight increase in the trading volume in recent years: 64 transactions executed in 2004, 508 transactions in 2008 and 240 transactions in the first six months of 2009.

On average, less than two transactions are traded daily in the secondary market, for a turnaround of TND 0.380 million. Debt instruments are traded in the Bourse des Valeurs Mobilières de Tunisie (BVMT) and prices are published on the website of the BVMT.

## ► Foreign Exchange Market

The Tunisian Dinar follows a managed floating exchange rate regime and is officially convertible for all current account transactions. The TND is pegged to a basket of the currencies of Tunisia's main trading partners. The Euro has a preponderant share of the basket, as most of Tunisia's trading partners are Euro zone countries.

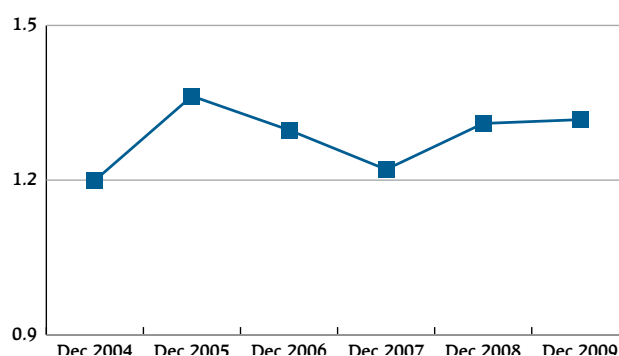
TND rates are freely set through interbank transactions by commercial banks.

Subject to a valid Certificate of Capital Importation (CCI), interest and capital gains realized by foreign investors can be fully repatriated. However, the transfer of foreign currency by residents is capped, depending on the purpose of the transaction.

The Tunisian Dinar (TND) has depreciated against all major currencies in the past five years.

The opposite graph provides historical levels of the TND against the USD.

**TND per Unit of USD (Year End)**



Source: BCT

## ► Derivatives Market

The derivatives market comprises mainly foreign exchange forwards, including cross currency forwards, and more recently, forward rate agreements (FRAs) and interest rate swaps and options. The derivatives market is not yet organized in a central exchange and transactions are

executed over-the-counter (OTC). Banks can offer their clients (which may include other banks) cross currency forwards up to 12 months and vanilla foreign exchange options up to 3 years.

## ► Regulation and Taxation

### Regulation

The Financial Market Council (Conseil du Marché Financier CMF) is responsible for regulating, monitoring and supervising capital markets. The Council oversees and controls the stock market, primary dealers, mutual funds and the clearing and settlement house.

### Taxation

Interest income is taxed at 20%. Capital gains on bond sales are included in taxable income for individuals and

companies. However, for individuals, interest incomes are deductible with a cap at TND 1,500.

Interest income and capital gains by non-residents are taxable at 20%.

## ► Clearing and Settlement

STICODEVAM, the "Société Tunisienne Interprofessionnelle pour la Compensation et le Dépôt de Valeurs Mobilières" is the clearing and settlement house, as well as the central depository for securities. In addition to the Central Bank and the Treasury, its shareholders include various market intervenants. Securities are identified by an ISIN Code and are entirely dematerial-

ized and settled using the Delivery versus Payment (DVP) method.

Securities are settled on T+7, on a gross basis by type (stock, T-bonds and T-bills) at business closing date. The day-count convention is maturity-based, which is Act/360 for maturities lower than one year and Act/365 above.

## ► Regulatory Contacts

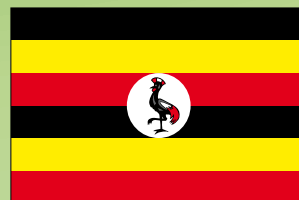
### Banque Centrale de Tunisie

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25, rue Hédi Nouira, Tunis, Tunisia  
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### Conseil du Marché Financier

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Cité Montplaisir, Tour Babel Escalier E, 1073 Tunis, Tunisia  
Tel: 216-71-844500  
Fax: 216-71-848001/841809  
E-mail : cmf@cmf.org.tn

# Uganda



2009 at a glance	
Population (mn)	32.7
Population growth (annual %)	3.3
Official language	English
Currency	Uganda Shilling (UGX)
GDP (Current US\$ bn)	15.6
GDP growth (annual %)	6.5
GDP per capita (Current US\$)	478.5
Total Debt (US\$ bn)	2.4
Total Debt/GDP (%)	15.5
CPI (annual %)	11.5
Exports of Goods and services (% of GDP)	15.
Gross Official Reserves (in US\$ bn)	2.4
Gross Official Reserves (in months of imports)	5.5
UGX/per 1 USD	1900.00

Source: AfDB, Bloomberg



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Fitch	B	B
Moody's	Not rated	Not rated
S & P	B+	B+

Source: Bloomberg

## ► Summary

- » Government securities yield curve has tenors up to 10 years.
- » Liquidity is concentrated in the two- and three-year section of the curve.
- » The Central Bank aims to issue more long-term securities targeting a Treasury bills to bonds ratio of 40:60 from 48:52 in June 2009.
- » There is a bi-monthly issuance of Treasury bills of all maturities every 14 days and one Government bond auction is held every 28 days.
- » Settlement for bonds in the primary market is T+1 and T+0 in the secondary market.
- » An increase of 19% in the secondary market trading in Government bonds from FY 2007/8 to 2008/9.
- » There is a need for a more diversified investor base.
- » The Financial Markets Development Plan (FMDP) was launched in September 2008 under the auspices of the Monetary Affairs Committee (MAC) of the East African Community as a common financial markets development approach in the region.

## ► Monetary Policy and Money Market

### Monetary Policy

The Bank of Uganda (BOU) conducts monetary policy within a monetary aggregate targeting framework. Consequently, there is no explicit short-term interest rate target. The policy instruments are open market operations, discount window, cash reserve requirements and foreign exchange sales. Open market operations (OMO) are the primary monetary policy tool used by the Central Bank and are executed exclusively with the primary dealers of Government securities. Government securities with maturities of one year or less are used as collateral for Repos OMO..

### Money Market

The most frequently used money market pricing reference rate is the 182-day Treasury bill, typically priced from the primary auctions. The market is developing an interbank money market rate referred to as KIBOR (Kampala Interbank Offer Rate) that averages the overnight interbank rates in the market. Efforts are being made to extend it to a weekly and monthly reference.

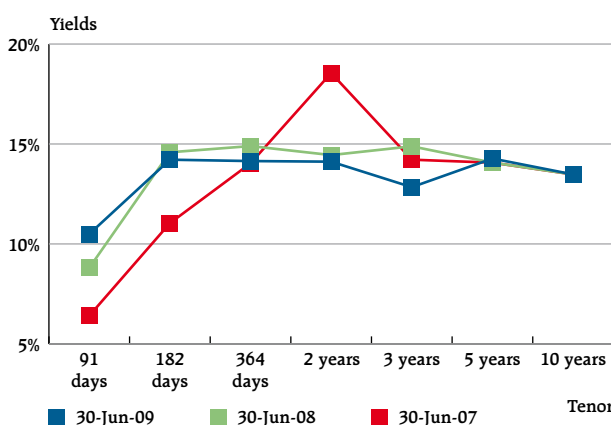
## ► Fixed Income Market

### Government Securities

Government securities are issued by the Bank of Uganda on behalf of the Government of Uganda as monetary policy instruments. Treasury bills are 91-, 182-, and 365-day bills. Auctions are held once every two weeks and all tenors are often offered at each auction. Access is through the primary dealer system, though bids may be sealed by the investor and submitted through primary dealers. Minimum bids are UGX 100,000, with multiples of UGX 100, 000 thereafter. The outstanding stock as of 31 December 2008 was UGX 1.368 trillion.

Uganda Government Bonds are issued for 2, 3, 5 and 10 years. The 2 and 3-year tenors are the most issued and have the highest liquidity. There is a pre-determined issuance schedule in place: Treasury bond auctions are held once every 28 days, with only one tenor offered. All bids in the primary market are submitted through primary dealers, though investors can submit sealed bids through primary dealers. The graph below illustrates the trend in the Government securities yield curve.

**Government securities yield curve as at 30 June 2007, 2008 and 2009**



Source: Bank of Uganda

### Non-Government Securities

Parastatal and corporate issuers are becoming increasingly active in the primary bond market. The majority of corporate issuers thus far have been financial institutions, issuing amortizing and bullet bonds with both fixed and floating rate options. Outstanding issuances as at 28 February 2010 amount to UGX 143 billion, all from five financial sector issuers.

### Intermediaries

A Primary Dealer (PD) System was adopted in 2003 with the appointment of five commercial banks. A sixth PD was appointed in 2008. PDs participate in open market operations (auctions, repurchase agreements, reverse repurchase agreements, and outright sales and purchase of Government securities) and secondary market transac-



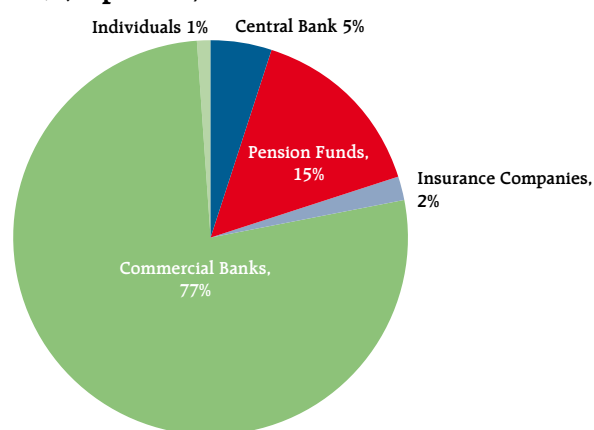
tions. Reforms are ongoing to strengthen the PD system by including non-bank PDs.

Government bonds are also listed on the Uganda Securities Exchange. However, almost all trading is done in the over-the-counter market amongst dealers.

## Investors

The bond market is dominated by commercial banks with 69.3% and the national pension fund with 13.4% of outstanding holdings, as illustrated in the chart below. There is growing demand for bonds from fund managers as assets under management continue to grow. It should be noted that the holdings by commercial banks include holdings by foreign investors.

**Holdings by category of investors as at June 30, 2009 (in percent)**



Source: Bank of Uganda

There are 22 commercial banks, 4 credit institutions and 3 microfinance deposit-taking institutions. Three foreign owned banks in Uganda account for approximately 75% of Uganda's banking sector assets, with Stanbic Bank Uganda, a foreign bank from South Africa, being the largest.

The pension fund industry is still dominated by the National Social Security Fund and holds a significant proportion of Government bonds particularly at the long end of the yield curve.

The insurance industry is comprised of 21 firms. The size of the industry by assets was UGX 1.91 billion by the end of 2008.

There are 5 licensed fund management firms in Uganda as of 31 December 2009.

Foreign investors are not restricted from participating in the debt markets. Holdings by foreign investors of Government securities at end June 2009 was UGX 100 billion, representing 3.77% of the total outstanding debt.

(these holdings are included in the commercial bank's holdings in the chart)

Retail investors can invest directly through primary dealers and hold sub-accounts at the central depository, or invest indirectly through the products of the growing number of mutual funds in the market.

## Primary Market

Primary issues are done through a multiple price auction system, with bids accepted on both a competitive and non competitive basis. As of June 2009, total outstanding Treasury bill and bond issues amounted to UGX 2,656 billion (USD 1.284 billion) from 85 issues, while for June 2008, the total outstanding Treasury bill and bond issues amounted to UGX 3,003 billion (USD 1.85 billion) from 95 issues. There has been increased issuance by corporate entities specifically from the banking sector in the recent past, but the market remains predominantly a Government securities market.

## Secondary Market

In the secondary market, all primary dealers provide on-demand continuous and effective two-way prices for on-the-run Government instruments. Trades are largely transacted over-the-counter (voice brokered) and are reported to the Bank of Uganda for settlement and transfer of securities. Treasury bills are actively traded with a bid/offer spread of 25 to 50 bps. The yield curve of up to 3-years is liquid, but 5-year and 10-year bonds are scarcely traded. To improve liquidity in bonds, the Central Bank continues to reopen issues in order to create larger and more liquid bonds along the curve.

Almost all of the turnover is accounted for by trades in Government paper. Corporate bonds do not trade much, with most investors in these instruments adopting a buy-and-hold strategy. The limited sizes and liquidity in corporate bonds restrict commercial bank interest in corporate paper.

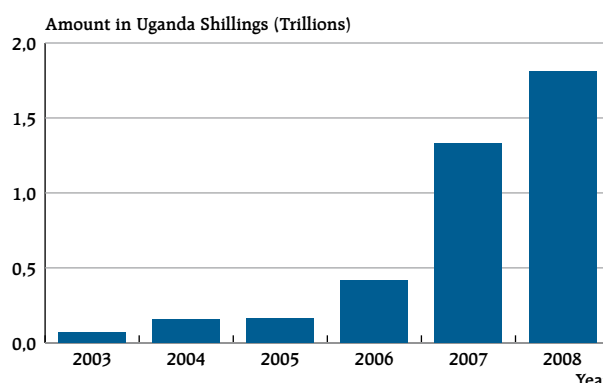
A turnover of UGX 1.8 trillion was recorded in 2008 in the Government bond market, which represents a turnover ratio of 0.7, a significant improvement on the ratio of 0.47 recorded for 2007. In 2008, the average volume traded per day was UGX 6.8 billion 36% higher than the previous year. The average size of a trade was UGX 2 billion in 2008.

Foreign investors participate in the local market through the commercial banks, however the global financial crisis led to a withdrawal of investment by foreign investors.

Government and corporate securities are listed on the Uganda Securities Exchange (USE), the country's principal stock exchange. It is still very nascent and as of January

2010, it had 12 listed local and East African companies. Trading takes place on Mondays, Tuesdays and Thursdays only and by use of the open outcry method. An automated trading platform is being considered.

### Trend in Secondary market trading annual turnover in Government securities



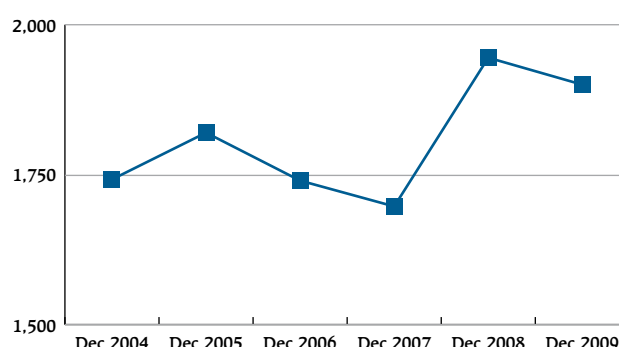
Source: Bank of Uganda

## ► Foreign Exchange Market

The Uganda Shilling is a free-floating unitary currency since 1993. The Central Bank licenses foreign exchange dealers who have reporting obligations to the Central Bank. There are no restrictions on the capital, interest and dividend flows of both residents and non-residents in and out of Uganda; the country's capital account is fully liberalized. The main market is the spot market for UGX/USD and the forward market is short-term in tenor, but is gradually extending to longer maturities. The market is also available with considerable depth for UGX/EUR and UGX/GBP. The interbank foreign exchange market is active and dealers post live quotes on a Reuters system with quotes good for USD 100,000. The BOU may buy or sell USD from time to time to control volatility, but does not target a rate.

The graph below provides historical levels of the UGX against the USD.

### UGX per Unit of USD (Year End)



## ► Derivatives Market

The derivatives market in Uganda is still underdeveloped, with the main instruments being swaps and forwards.

Volumes in the derivatives market are less than 1% of the total forex turnover.

## ► Regulation and Taxation

### Regulation

The BOU is responsible for the licensing, supervision and regulation of the banking system.

Capital Markets are regulated by the Capital Markets Authority (CMA) of Uganda. The Uganda Securities Exchange is licensed by the Capital Markets Authority and is the centre for equity and corporate debt market activity. The CMA also licenses broker/dealers, investment advi-

sors and fund managers in the market and approves all corporate bond issues.

The BOU issues Uganda Government securities on behalf of the Government. The Bank of Uganda is authorized to hold securities in electronic form on the authorized CSD for the electronic settlement of all financial instruments in Uganda Government securities. The insurance sector is regulated by the Uganda Insurance Commission.

The three regulatory authorities of Kenya, Uganda and Tanzania signed a Memorandum of Understanding in 1997 and created an umbrella body known as the East African Securities Regulatory Authorities (EASRA). They

seek to increase crossborder listings, harmonize legal and regulatory frameworks and develop capital markets in the region.

### Taxation

Withholding tax on Government securities is currently at 15% on both coupon interest and discount interest at redemption.

There is no capital gains tax on the sale of Government and corporate securities. Uganda has entered into tax treaties with Denmark, Norway, South Africa, the United Kingdom and Zambia. There is no distinction between the taxes levied on residents and non-residents.

## ► Clearing and Settlement

The market has an electronic book entry system, with settlement of T+1 for Government securities, T+2 for foreign currency trades, and T+0 for Repurchase Agreements and interbank trades. The central depository for Government securities is housed at and managed by the Central Bank.

Transacting parties submit filled forms to the BOU which then transfers the securities. The Uganda Securities Exchange is setting up a Securities Central Depository system which will facilitate the trading of corporate bonds.

## ► Regulatory Contacts

### Bank of Uganda

P.O. Box 7120, Kampala, Uganda  
37/43 Kampala Road, Kampala, Uganda  
Tel: +256-41-258441-6/258060-9/259090  
Fax: +256-41-230878/233818  
E-mail: [info@bou.or.ug](mailto:info@bou.or.ug)  
Website: [www.bou.or.ug](http://www.bou.or.ug)

### Capital Markets Authority

P.O. Box 24565  
Kampala, Uganda  
8th Floor, Jubilee Insurance  
Centre, 14 Parliament Avenue, Kampala, Uganda  
Tel: +256-41-342788/342791  
Fax: +256-41-342803  
E-mail: [cma@starcom.co.ug](mailto:cma@starcom.co.ug)  
Website: [www.cmauganda.co.ug](http://www.cmauganda.co.ug)

### Uganda Securities Exchange Ltd.

P.O. Box 23552, Kampala, Uganda  
Plot 1, Pilkington Road, Workers' House 2nd Floor,  
Northern Wing, Kampala, Uganda  
Tel: +256-41-343297/342818  
Fax: +256-41-342841  
E-mail: [info@use.or.ug](mailto:info@use.or.ug)  
Website: [www.use.or.ug](http://www.use.or.ug)

# West African Economic and Monetary Union



2009 at a glance	Benin	Burkina Faso	Cote D'Ivoire	Guinea Bissau	Mali	Niger	Senegal	Togo
Population (mn)	8.9	15.8	21.1	1.6	13.0	15.3	12.5	6.6
Population growth (annual %)	3.1	3.4	2.3	2.2	2.4	3.9	2.6	2.5
Official language	French	French	French	Portuguese	French	French	French	French
Currency	CFA Franc (XOF)							
GDP (Current US\$ bn)	6.5	8.6	21.6	0.4	8.4	5.5	13.1	2.9
GDP growth (annual %)	3.8	3.5	3.1	1.9	3.4	3.2	3.4	2.7
GDP per capita (Current US\$)	729.4	542.7	1,023.0	264.1	647.1	358.3	1,046.2	441.3
Total Debt (US\$ bn)	0.9	1.9	18.8	1.0	2.1	0.9	6.4	1.5
Total Debt/GDP (%)	14.9	21.9	82.7	245.3	25.4	15.9	48.9	50.5
CPI (annual %)	4.3	4.7	5.3	0.4	2.7	2.4	3.8	2.6
Exports of Goods and services (% of GDP)	16.6	9.2	41.7	32.3	27.5	16.9	20.5	37.0
Gross Official Reserves (in US\$ bn)	1.1	0.9	2.2	0.1	0.9	0.7	1.4	0.5
Gross Official Reserves (in months of imports)	7.3	5.5	3.5	5.2	3.9	3.6	3.1	5.7
CFA/ 1 USD (year end)	457.75							

Source: AfDB, Bloomberg

Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
<b>Benin</b>		
Fitch	B	B
Moody's	Not rated	Not rated
S & P	B	B
<b>Burkina Faso</b>		
Fitch	Not rated	Not rated
Moody's	Not rated	Not rated
S & P	B	B
<b>Senegal</b>		
Fitch	Not rated	Not rated
Moody's	Not rated	Not rated
S & P	B+	B+
<b>Other Member Countries</b>		
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » The West African Economic and Monetary Union (WAEMU) comprises eight countries: Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.
- » Member countries share a common currency, the CFA Franc (XOF), a joint monetary policy and a Central Bank, the Central Bank of West African States (BCEAO).
- » The regional and national fixed income market is still at a nascent stage.
- » The Central Bank plays an important role as one of the main issuing entities in the region.
- » In recent years, member countries started to finance their public spending through the issuance of Treasury bills instead of Central Bank loans.
- » The number of corporate issues is still limited.
- » Similar to many other African countries, the investor base is dominated by commercial banks.



## ► Monetary Policy and Money Market

### Monetary Policy

The Central Bank's main policy goal is price stability. The Central Bank of West African States (BCEAO) sets the monetary policy for the Union and the individual member states. The Bank focuses on keeping monetary and credit variables under control and in line with macroeconomic objectives such as GDP growth, as well as public finances and balance of payments stability.

The Central Bank is currently undergoing an institutional reform process with the goal of adopting an explicit inflation-targeting mandate. Additionally, the reform seeks to increase the independence of the Central Bank from the Governmental sphere of influence.

Policy decisions are taken by a Monetary Policy Committee, with policy actions taken when needed and communicated subsequently. The Central Bank also publishes a quarterly publication on monetary policy.

The BCEAO conducts open market and repo operations to influence the money market reference rate, known as "Taux Moyen Mensuel" (TMM). This rate is calculated on a monthly basis and is obtained through the weighted average of the marginal rates of weekly liquidity management operations.

### Money Market

There are several money market instruments available. The list is extensive and includes Central Bank, Government and regional bank issued Treasury bills and bonds, certificates of deposit and bonds issued by corporations, amongst others. All these instruments can be used in repurchase operations between the BCEAO and other banking institutions.

## ► Fixed Income Market

### Government Securities

WAEMU Member states issue Treasury Bills with maturities ranging from 7 to 720 days, namely: one week, 1 month, 3 months, 6 months, 1 year and 2 years. These instruments are issued on the basis of a quarterly issuance program and used to finance the short-term budget needs of member states.

Each individual country also issues longer-term instruments, namely Treasury bonds. These bonds collect funds dedicated to financing medium and long-term Government expenditure. The issuance of Treasury bonds is set out in a program revised every year. The maturities range from 3 to 10 years.<sup>1</sup>

The Central Bank conducts the auctions of bills on behalf of WAEMU members with a frequency of two to three auctions per week. Auctions of Treasury bonds take place on a monthly basis.

The minimum investment size is XOF 1 million for Treasury bills and XOF 10,000 for Treasury bonds. Issuing prices are published in the press and on the Central Bank's website.

Participation at auction is restricted to primary dealers who hold sufficient reserves in their depository accounts with the Central Bank. If reserves are insufficient, the Central Bank will suspend participation until the reserve amount has been increased.

The vast majority of instruments are fixed rate, with a periodical amortization repayment profile. There are a few bullet type repayment profiles in the market. The standard day-count conventions are Act/365 for bonds and Act/360 for the money market.

It is difficult to establish a yearly benchmark yield curve for individual countries, due to the limited number of securities on offer.

### Non-Government Securities

The West African Development Bank is one of the main market players. There are also a few corporate issuers of note.

<sup>1</sup> 3,5,6,7,8 and 10 years more precisely.

**Selection of West African Development Bank (BOAD) bond issuance in XOF**

Year	Issuer	Rating	Nominal (in bn XOF)	Coupon	Coupon Frequency	Maturity (year)	Remarks
2009	BOAD	N/R	46.35	3.26%	Annual	2016	Listed on BRVM
2008	BOAD	N/R	53.65	3.71%	Annual	2015	Listed on BRVM
2008	BOAD	N/R	22.50	5-5.5%	Annual	2015	Listed on BRVM
2006	BOAD	N/R	15.00	4.91%	Annual	2013	Listed on BRVM
2004	BOAD	N/R	17.30	5.35%	Annual	2011	Listed on BRVM
2003	BOAD	N/R	25.00	5.34%	Annual	2010	Listed on BRVM
2003	BOAD	N/R	20.00	5.48%	Annual	2010	Listed on BRVM

Source: BCEAO

**Intermediaries**

Primary subscription of Treasury bills and bonds is to some extent limited to banks, and national and regional financial institutions which have a depository account with the Central Bank. Asset management and brokerage houses also have access to the primary market.

**Investors**

Commercial banks are the main investors of Treasury bills and bonds and have easy access to the primary issuances.

The Central Bank does not purchase securities for its own books. Nonetheless, and subject to certain conditions, the Central Bank may act as the depository of Treasury bills.

All investors have direct or indirect (via brokers and dealers) access to the primary market.

Foreign investors can participate in the market through local banks.

**Primary Market**

The Central Bank issues Treasury Bills on behalf of WAE-MU member states. The West African Development Bank is the main non –Governmental issuer. There are also a few corporate issuers of note.

**Secondary Market**

All secondary market transactions must be conducted via certified intermediaries such as banks, non-bank financial institutions, regional financial institutions, asset managers and brokerage companies.

Most investors adopt a buy-and-hold approach, which limits the development of an active secondary market.

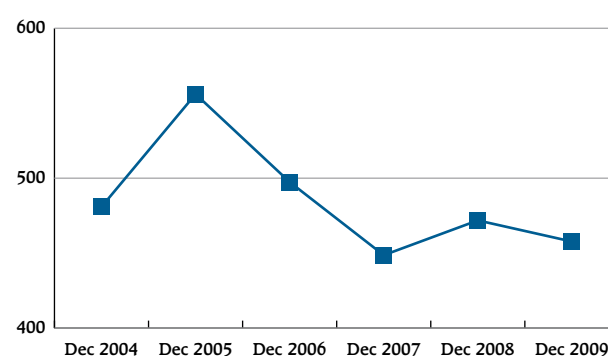
**► Foreign Exchange Market**

The CFA Franc (XOF) follows a fixed currency peg regime against the Euro. The franc is not traded outside of the WAEMU, but is fully convertible against the Euro. The parity is currently set at 655.957 XOF per 1 EUR.

All WAEMU member states are compliant with IMF's article VII. As a result, the current account is fully liberalized. The capital account, on the other hand, is only partially liberalized. Capital flows are authorized except for resident-owned savings and investments in foreign bank accounts. Gold exports are also restricted. All of these transactions require a prior authorization from the Ministry of Finance.

FX reserves are centralized through the BCEAO and held in the Operations Account at the French Treasury.

Foreign exchange controls do not apply to foreign investors and there is no offshore XOF market. The graph below provides historical levels of the XOF against the USD

**XOF per Unit of USD (Year End)**

Source: Bloomberg



## ► Derivatives Market

There is no derivatives market in the region.

## ► Regulation and Taxation

### Regulation

Capital markets fall under the jurisdiction of the "Conseil Régional de l'Épargne Publique et des Marchés" (CREPMF).

Auctions of Treasury bills and bonds are regulated by the Council of Ministers from WAEMU

The Central Bank of West African States controls the Banking Commission which oversees banks and other financial institutions.

Insurance companies are supervised by the Conference of Insurance Markets (CIMA), which is based in Cameroon and oversees insurance companies in all WAEMU states as well as other Central African countries.

### Taxation

Interest on securities is taxable at 15%. Capitals gains are also subject to tax. All member countries apply a withholding tax between 6% and 13% on interest on bonds.

## ► Clearing and Settlement

The "Dépositaire Central/Banque de Règlement" (DC/BR) is the central clearing/delivery and settlement institution.

The delivery versus payment system is fully automatic at the central clearer level. Each title has its own identification code, the "Numero d'Identification Regional" (NIR). There are no ISIN codes. Settlement of transactions is conducted at the close of each trading day.

The minimum delivery period is T+1 for domestic transactions and T+3 for inter-country transactions. The con-

cerned parties may extend the delivery by mutual agreement.

Clearing and settlement in the secondary market is done via the DC/BR, with no physical delivery required.

The DC/BR has a special guarantee fund which may be used in the event of default by a financial institution. This mechanism will prevent systemic defaults and/or market panic.

## ► Regulatory Contacts

### West African Central Bank (BCEAO: Banque Centrale des Etats de l'Afrique de l'Ouest)

BP 3108 Dakar, Sénégal  
Tel: (+221) 33 839 05 00  
Fax: (+221) 33 823 93 35  
Website: [www.bceao.int](http://www.bceao.int)

### West African Monetary Union – WAEMU/UEMOA

Commission de l'UEMOA  
01 BP 543 Ouagadougou 01 Burkina Faso  
Tel: +226 50 31 88 73  
Fax: +226 50 31 88 72  
Website: [www.uemoa.int](http://www.uemoa.int)



# Zambia



## 2009 at a glance

Population (mn)	12.9
Population growth (annual %)	2.5
Official language	English
Currency	Zambian Kwacha (ZMK)
GDP (Current US\$ bn)	11.5
GDP growth (annual %)	4.0
GDP per capita (Current US\$)	887.7
Total Debt (US\$ bn)	1.2
Total Debt/GDP (%)	10.0
CPI (annual %)	10.0
Exports of Goods and services (% of GDP)	27.9
Gross Official Reserves (in US\$ bn)	1.2
Gross Official Reserves (in months of imports)	3.4
ZMK/ per 1 USD	4,641.00

Source: AfDB, Bloomberg



## Sovereign rating as at March 24, 2010

Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » Government securities yield curve currently has tenors up to to 15 years, with issuance points at 91, 182, 273 and 364 days for Treasury bills and 2, 3, 5, 7, 10 and 15 years for Treasury bonds.
- » The Government securities issuance calendar for both Treasury bills and bonds is published at the beginning of the calendar year showing auction dates.
- » The Bank of Zambia is the Central Securities Depository (CSD) and settles all Government securities transactions.
- » The size and liquidity of the secondary market is still a challenge as the secondary market remains underdeveloped. Weekly Repo transactions average ZMK 350 billion. The secondary market in long-term bonds is not very liquid.
- » The fixed income market still faces the challenge of establishing benchmark bonds which will improve the pricing from the yield curve and enable the pricing from similar long-term instruments.
- » Bloomberg codes for market data:
  - BOZMM01 / BOZMM02 / BOZMM03 / BOZMM02 / ZMK1= / ZMKF= / ZMK=/ ZATB= / ZAMGB

## ► Monetary Policy and Money Market

### Monetary Policy

The Bank of Zambia (BOZ) has a principal monetary policy objective of bringing the inflation rate down to 5% by the end of 2009. The BOZ relies on market-based instruments, specifically open market operations (OMO) and the sale of foreign exchange, to limit the growth in reserves and broad money. The Central Bank is considering a transition from reserve money targeting to interest-rate based monetary policy.

### Money Market

The most frequently used money market benchmark is the Bank of Zambia rate. This is determined by adding two percentage points to the 91-day Treasury bill. The interbank market is very liquid with most of the 16 commercial banks frequently participating.

## ► Fixed Income Market

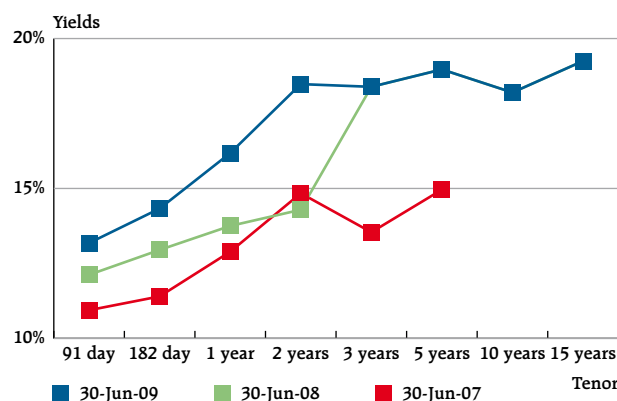
### Government Securities

Zambia Treasury bills are issued by the Bank of Zambia on behalf of the Government of Zambia. Tenors are 91-, 182-, 273 and 364-day bills and auctions are held once a week on Thursdays, with all tenors offered at each auction. The auction is a Dutch (multiple price) auction system and is open to individual and corporate investors with the exception of commercial banks. Settlement is done on a T+4 cycle.

Zambia Government bonds are currently issued primarily as fiscal policy instruments. Tenors issued are 2, 3, 5, 10 and 15 years. Auctions are monthly for the 2-, 3 and 5-year bonds, and quarterly for the 7-, 10 and 15-year bonds. All tenors are often offered at a single auction. The auction is a Dutch (multiple price) auction system and is open to individual and corporate investors with the exception of commercial banks. Settlement is done on a T+3 cycle.

The opposite graph illustrates the trend in the Government securities yield curve.

Government securities yield curve as at 30 June 2007, 2008 and 2009



Source: Bank of Zambia

### Non-Government Securities

The Zambian corporate market has had limited activity in the recent past. Barclays Bank of Zambia, Lafarge cement, Investrust Bank and Development Bank have issued notes under medium-term note programs, as listed in the table below. Liquidity in these bonds is very low.

Year of issue	Issuer	Coupon	Tenor	Kwacha
2003	Barclays Bank of Zambia	91TB+1.25%	11 years	50,000,000,000
2007	Development Bank	182TB+2.50%	5 years	68,620,000,000
2007	Investrust Bank	182TB+2.50%&3.50%	3&5 years	30,310,000,000
2007	Lafarge Cement	182TB+1.25%	5 years	108,000,000,000

Source: Lusaka Stock Exchange

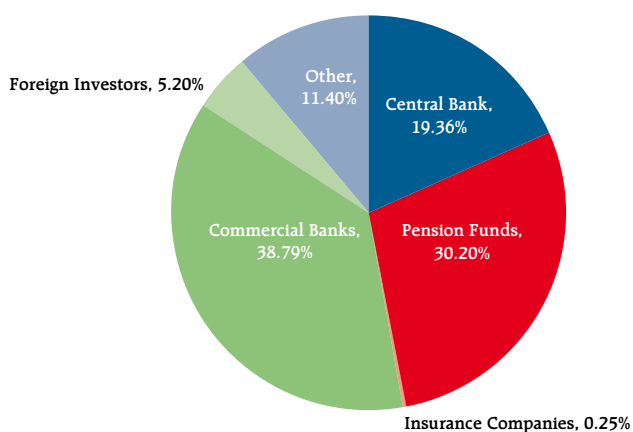
## Intermediaries

All trades in Government securities must be executed through the Lusaka Stock Exchange (LuSE). The brokers therefore have a role to play in matching and processing transactions at the Exchange. There are no designated market makers and most of the dealing is done over-the-counter. There are four brokers that deal with fixed income securities at the Lusaka Stock Exchange.

## Investors

The Zambian market is growing in diversity with well-distributed holdings of Government securities amongst all categories of holders, including foreign investors, as illustrated in the chart below.

**Holdings by category of investors as at June 30, 2009 (in percent)**



Source: Bank of Zambia

The Zambian banking sector consists of 18 licensed and 16 operational commercial banks as of September 2009, including several foreign-controlled banks. The banking sector held approximately 39% of outstanding Government securities as of 30 June 2009. These holdings comprised mostly Treasury bills and bonds up to 3 years maturity.

There are over 240 pension funds in the market, with the dominant fund being the National Pension Scheme Authority, however, very few participate directly in the securities market. The smaller pension funds participate indirectly through fund managers. By the end of 2009, pension funds held 24.4 % of the total Government securities holdings.

The participation of insurance companies is not significant. There are a few insurance companies that invest in Government securities directly, while most of them

participate indirectly through fund managers. Currently, holdings by insurance companies that participate directly are less than 1% of total holdings.

There are four asset and fund managers who participate in the securities market directly, with less than 1% of total outstanding Government securities.

There are no restrictions on participation of foreign investors in the Zambian debt markets. Foreign investors participate in the debt market through their local registered banks, and securities are held by their nominated custodians. Currently, Barclays Bank Lusaka Nominee International holds most of the securities for foreign investors. Foreign investors can also purchase securities through brokers at the Lusaka Stock exchange. They have tended to invest in shorter-term instruments ranging from 91 day to 3 year maturities.

Retail investors access the market directly as competitive or non-competitive bidders. The minimum bid amount for competitive bidders is ZMK 30 million and ZMK 1 million for non-competitive bids. All retail investors who bid on a competitive basis have CSD accounts while non-competitive bidders have sub-accounts.

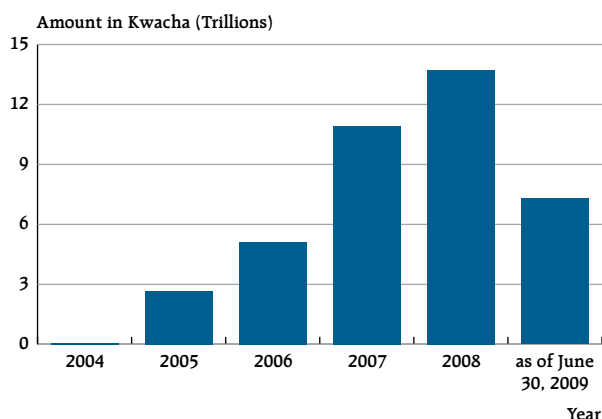
## Primary Market

The primary market for Government securities is open to all applicants that have accounts with the central depository at the Central Bank of Zambia. Applicants without clearing accounts at the Bank of Zambia must accompany bids with a guarantee by the settlement bank. The minimum bid amount is ZMK 30 million, with multiples of ZMK 5 million thereafter. As of June 2009, total outstanding Treasury bills and bonds issuances amounted to ZMK 8,389 billion. A handling fee of 2% is currently charged by the Central Bank for primary market bond transactions.

## Secondary Market

A turnover of ZMK 13.7 trillion was recorded in 2008, which is a turnover ratio of 1.6, a significant improvement on the ratio of 1.3 recorded for 2007. In 2008, the average volume traded per day was ZMK 54 billion, 25% higher than the previous year. Liquidity has been concentrated at the short 91-day to 3-year section of the curve. The average size of a trade was ZMK 5.4 billion in 2008.

### Trend in secondary market trading of Government securities



Source: Bank of Zambia

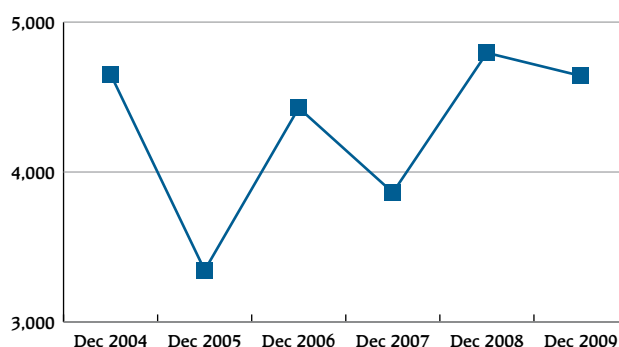
## ► Foreign Exchange Market

Zambia's foreign exchange market was fully liberalized in 1994 following the removal of restrictions on both the current and capital accounts. The general public can both buy and sell foreign exchange to commercial banks and bureaux de change. Interventions in the foreign exchange market by the Bank of Zambia are primarily aimed at smoothing out short-term fluctuations in the market and meeting the targets of international reserves.

The main market is the spot market for ZMK/USD; the forward market is short-term, but is developing. The market is also available for ZMK/EUR and ZMK/GBP.

The opposite graph provides historical levels of the ZMK against the USD.

### ZMK per Unit of USD (Year End)



Source: Bloomberg

## ► Derivatives Market

There are a few derivative contracts in foreign exchange which are mostly short-term, with tenors not exceeding 12 months.

## ► Regulation and Taxation

### Regulation

The issuance of corporate bonds has to be approved by the Securities and Exchange Commission. The Lusaka Stock Exchange (LuSE) regulates the listed securities of

the corporate bond market and trades of the Government bond market. One of the central purposes of the Bank of Zambia is to regulate commercial banks, leasing companies, building companies, development banks,

savings and credit institutions, credit reference bureaus, bureaux de change and microfinance institutions. Pension funds and insurance companies are regulated by the Pension and Insurance Authority while securities firms and venture capital funds are regulated by the Securities and Exchange Commission.

## Taxation

Under the current legislation, the income earned on Treasury bills and Government bonds is subject to 15% withholding tax. The taxes are deducted at source upon maturity of the security. There is no capital gains tax on fixed income investments. Non-residents whose countries have signed double taxation agreements are eligible to claim their tax paid with the Zambia Revenue Authority.

## ► Clearing and Settlement

The Zambian Inter-Bank Payment and Settlement System (ZIPSS) is a system that facilitates efficient transfer of funds between banks. The LuSE operates an electronic clearing and settlement process, with trade-for-trade netting and settlement on T+3. The trades are carried out through stock brokers. The LuSE also operates an

electronic depository facility or Central Share Depository (CSD) known as the Zambia Central Depository. Investors intending to transact in listed securities, are required to trade through the LuSE. The CSD for Government securities is with the Bank of Zambia and efforts have been made to link the CSD at the Exchange with the Central Bank.

## ► Regulatory Contacts

### Bank of Zambia

P.O. Box 30080, Lusaka, Zambia  
Bank Square  
Cairo Road Lusaka, Zambia  
Tel: 260-1-228.888/ 228.903-20  
Fax: 260-1-221722/237070  
E-mail: pr@boz.zm  
Website: www.boz.zm

### Lusaka Stock Exchange

P.O. Box 34523, Lusaka, Zambia  
3rd Floor Farmers House  
Building, Cairo Road, Lusaka, Zambia  
Tel: 260-1-228391/228537/228594  
Fax: 260-1-225969  
E-mail: luse@zamnet.zm  
Website: www.luse.co.zm

### Securities and Exchange Commission

P.O. Box 35165, Cairo Road, Lusaka, Zambia  
5th Floor, Bank of Zambia Annex, Lusaka, Zambia Tel:  
260-1-226911  
Fax: 260-1-225443

# Zimbabwe



2009 at a glance	
Population (mn)	12.5
Population growth (annual %)	0.5
Official language	English
Currency	Multi-currency system: ZAR reference and USD main transacting currency
GDP (Current US\$ bn)	3.5
GDP growth (annual %)	3.7
GDP per capita (Current US\$)	284.0
Total Debt (US\$ bn)	6.6
Total Debt/GDP (%)	186.9
CPI (annual %)	9.0
Exports of Goods and services (% of GDP)	50.9
Gross Official Reserves (in US\$ bn)	N/A
Gross Official Reserves (in months of imports)	N/A

Source: AfDB



Sovereign rating as at March 24, 2010		
Long-term	Local Currency	Foreign Currency
Not rated by either Fitch, Moody's or S&P		

Source: Bloomberg

## ► Summary

- » There are no fixed income Government securities in Zimbabwe.
- » The Zimbabwe Dollar is not functional as it was suspended in April 2009. In February 2009 a multi-currency system was adopted, with the South African Rand as the reference currency and the US Dollar as the main transaction currency.

## ► Monetary Policy and Money Market

With the adoption of dollarization, the Reserve Bank of Zimbabwe's (RBZ) control over monetary policy was curtailed. The multi-currency system, which the authorities have decided to maintain until 2012, will provide the very foundation of Zimbabwe's Monetary Policy. Given the fis-

cal constraints that come with dollarization, the threat of hyperinflation that has plagued the country is eliminated.

The focus has turned away from controlling inflation to attracting private and public capital to Zimbabwe.

## ► Overview of Financial Sector

As of 31 December 2009, the banking system in Zimbabwe comprised 27 institutions: 17 commercial banks, 4 merchant banks, 4 building companies, 1 discount house and 1 savings bank. There were also 16 licensed asset management companies and 95 microfinance institutions operating under the supervision of the Central Bank.

The balance sheets of all the banks suffered during the hyperinflationary period. Following the adoption of the multi-currency regime, the RBZ introduced a phased implementation plan for banking institutions to recapitalize their balance sheets in order to fully meet new prudential requirements by 31 March 2010. Banks reportedly hedged the inflation risk through investment in real assets.

## ► Regulation

The Securities Exchange Commission of Zimbabwe has the overall responsibility of regulating the capital markets. The Reserve Bank of Zimbabwe is the regulator of the

banking sector and is spearheading efforts to recapitalize the sector.

## ► Regulatory Contacts

### Reserve Bank of Zimbabwe

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# Glossary

<b>Bond</b>	A bond is a debt security, in which the issuer owes the holders a debt and is obliged to repay the principal and interest (the coupon). Other stipulations may also be attached to the bond issue, such as the obligation for the issuer to provide certain information to the bond holder, or limitations on the behavior of the issuer. Bonds are generally issued for a fixed term (the maturity) longer than one year.
<b>Callable Bond</b>	A bond that can be redeemed at the option of the issuer prior to maturity as the issuer has the right to "call" the bond at fixed prices and call dates. Maturities may be extended ("extendible") or shortened ("retractable").
<b>Capital Market</b>	The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded.
<b>Clearing</b>	The process of exchanging financial transaction details between an acquirer and an issuer to facilitate settlement.
<b>Convertible Bond</b>	These may be converted into the issuer's common stock or into equity-like instruments.
<b>Crawling Peg Exchange Rate</b>	An exchange rate adjustment method in which the value a fixed exchange rate is allowed to fluctuate within a certain range of values. A crawling peg allows the exchange rate to adjust over time, hence "crawl," rather than be adjusted by a sudden or dramatic change.
<b>Currency Board Exchange Rate System</b>	Fixed exchange rate system. Requires maintenance of a specific exchange rate in respect to another currency.
<b>Delivery Verses Payment (DVP)</b>	The delivery of securities in exchange for another asset, usually money.
<b>Dematerialized Securities</b>	Securities that are no longer held in physical certificates and have been converted to an all-electronic system of bookkeeping.
<b>Depository</b>	A centralized clearing house and repository for securities. A location where securities are actually stored and where the electronic day-to-day movements of those securities is recorded.
<b>Derivative</b>	A financial contract from which payoffs over time are derived from the performance of assets (such as commodities, shares or bonds), interest rates, exchange rates, or indices (such as a stock market index, consumer price index (CPI) or an index of weather conditions). The main types of derivatives are futures, forwards, options and swaps.
<b>Discount House</b>	A firm that buys securities (commercial paper, discounted bills of exchange, Treasury bills and bonds from willing sellers.
<b>Discount Rate</b>	In relation to Central Bank Monetary Policy, is the rate at which specific banks may borrow short-term funds directly from the Central Bank.
<b>Dutch Auction System</b>	A public offering auction structure in which the price of the offering is set after taking in all bids and determining the highest price at which the total offering can be sold.
<b>Electronic Book-entry</b>	See Dematerialized Securities
<b>Exchange Control</b>	Restrictions on conversion of a country's currency for another.
<b>Fiscal Policy</b>	Government's revenue (taxation) and spending policy.



<b>Fixed Income</b>	Debt instruments of companies, government or agencies characterized by a fixed interest rate and stated maturity date.
<b>Flexible Exchange Rate System</b>	Currency exchange rate which is determined by free market forces. Also known as floating exchange rate system.
<b>Floating Rate Note (FRN)</b>	Bonds for which the coupons are a reference rate plus a spread/margin. This rate is reset on a regular basis and generally constitutes a short-term benchmark rate such as a Treasury bill rate or LIBOR.
<b>Forward Contract</b>	A contract on which a seller agrees to deliver a specified cash commodity to a buyer sometime in the future. In contrast to futures contracts, the terms of forward contracts are not standardized. Forward contracts are not traded on exchanges.
<b>Forward Rate Agreement</b>	An agreement to borrow or lend at a specified future date at an interest rate that is fixed today. The borrowing and lending is purely notional as the contract allows the purchaser to fix interest costs for a specific future period.
<b>Futures Contract</b>	An agreement to buy or sell a fixed quantity of a specified commodity, currency or security for delivery at a fixed date in the future at a fixed price. Futures contracts are standardized agreements traded on Futures Exchanges.
<b>Indexed Bond</b>	These are bonds indexed/ linked to non-market indices or assets. Examples include inflation-indexed bonds whose coupons are linked to various inflation indices such as the consumer price index and wholesale price index. Commodity-linked bonds are linked to the value of commodities such as agriculture, petroleum and minerals.
<b>Inter-dealer Broker</b>	A brokerage firm operating in the bond or OTC derivatives market that acts as an intermediary between major dealers to facilitate inter-dealer trades.
<b>Liquidity</b>	The ease with which an asset can be quickly converted into cash without any significant movements in the price. A market is considered liquid if there are ready buyers and sellers of securities in large quantities.
<b>Managed Float Exchange Rate System</b>	Floating currency exchange rate system which is not controlled entirely by the market forces of demand and supply but is partially controlled by government intervention that limits appreciation or depreciation of the currency within a range.
<b>Margin</b>	In relation to securities trading, is the difference between the face value of a loan for security purchase and the current value of securities deposited as collateral.
<b>Monetary Policy</b>	The regulation of money supply and interest rates by a Central Bank in order to control, aggregate demand and, by extension, inflation in the economy.
<b>Money market</b>	The market for short-term debt instruments maturing in one year or less. Examples of money market instruments include Treasury bills, commercial paper, and certificate of deposits.
<b>Mudaraba</b>	An arrangement where one party provides the funds and the other provides expertise and management.
<b>Multiple-price Auction</b>	Investors making competitive bids specify the rate or yield they are willing to receive for the use of their funds. Successful competitive bidders pay the price equivalent to the rate or yield they bid.
<b>Murabaha</b>	A particular kind of sale or contract that is compliant with Islamic law.
<b>Musharaka</b>	Similar to conventional partnership with profit and loss sharing.
<b>Mutual Funds</b>	A scheme operated by an investment company which raises money and invests in securities in accordance to a specific objective.

<b>Open Market Operations</b>	Buying and selling of securities by the monetary authority to influence the money supply.
<b>Option</b>	The right (but not the obligation) to buy or sell securities at a given price (exercise or strike price) before a given date (expiry date).
<b>Over-The-Counter (OTC)</b>	Trades that are not executed on a Securities/Stock Exchange.
<b>Pegged Exchange Rate</b>	System where the value of a country's currency, in relation to another currency is fixed at a specific conversion rate.
<b>Primary Dealer</b>	A designation usually given by an issuer of securities or the agent to banks, broker/dealers or other financial institutions that meet specific criteria like capital requirement, liquidity and primary market participation.
<b>Primary Market</b>	The market for new securities issues from the issuer.
<b>Real-Time Gross Settlement System (RTGS)</b>	A system where transactions between financial institutions is done electronically. Funds are immediately credited to one institution from another.
<b>Repo</b>	A contract where a seller of securities agrees to buy them back at a specified time and price. Also referred to as Repurchase Agreements or buyback.
<b>Reserve Requirement</b>	Amount of money and liquid assets that deposit money banks must hold in cash or on deposit with the Central Bank, usually a specified percentage of their demand deposits and time deposits. Also called reserve ratio.
<b>Secondary Market</b>	A market where an investor purchases a security from another investor and not the original issuer after the original issuance in the primary market.
<b>Securitization</b>	Conversion of assets (typically loans and other receivables) into securities usually to sell them on to other investors.
<b>Settlement</b>	Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivers securities sold and receives from the broker the proceeds of a sale.
<b>Spot transaction</b>	A transaction requiring immediate delivery and full payment.
<b>Structured Investment Vehicle (SIV)</b>	A type of fund which invests in long term, high-yield securities with money that it raises by selling short-term securities of lower yield and profits from the difference in rates.
<b>Sukuk</b>	Instruments/securities that comply with Islamic law (Shariah).
<b>Swap</b>	An agreement between parties to exchange future cash flows that are determined by an underlying such as currency, interest rate, equity and commodity.
<b>T + 1 ( 2, 3, 4)</b>	Refers to settlement of securities from the trade/ transaction date T +1 means settlement is one day after the trade date; T+ 2 is two days after the trade date and so on.
<b>Treasury Bill</b>	A negotiable debt obligation issued by government and backed by its full faith and credit, having a maturity of one year or less.
<b>Treasury Bond</b>	A long-term government obligation having a maturity of more than one year.
<b>Umbrella Fund</b>	Mutual fund that primarily invests in other funds. Also referred to as fund of funds.
<b>Yield to Maturity</b>	The rate of return anticipated on a bond if it is held until the maturity date. YTM is considered a long-term bond yield expressed as an annual rate. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate. Sometimes this is simply referred to as "yield" for short.

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